

## Finland's fledgling serial acquirer

**We initiate coverage on Boreo, a Finnish serial acquirer, with a fair value range of EUR 38-45. Boreo acquires and owns asset-light companies with low investment needs, and invests cash flows internally or externally at attractive profitability. We note that Boreo has made acquisitions at attractive returns and believe the acquisitions should enable an improvement in the group's margin and ROCE profile.**

### Key Data (2022E)

Price (EUR)	43.70
Reuters	BOREO.HE
Bloomberg	BOREO FH
Market cap (EURm)	116
Market cap (USDm)	121
Net debt (EURm)	53
Net gearing	122%
Net debt/EBITDA (x)*	4.3
Shares fully dil. (m)	2.7
Avg daily turnover (m)	0.0
Free float	29%

\*including EUR 20m hybrid loan

### Platform enabling investing cash flows to be managed profitably

Boreo aims to acquire and own SME companies. The acquired companies are asset-light with low investment needs, enabling investing cash flows to be directed towards profitable targets either internally or externally. Boreo has broad experience from varied B2B businesses, helping in sourcing deals and deal rationale. Boreo's organisational model is decentralised; the acquired companies remain independent but are supported by the group in e.g., strategy and target setting. Boreo has its origins in the electronic component distribution business, but has expanded into areas such as technical trade and heavy machines.

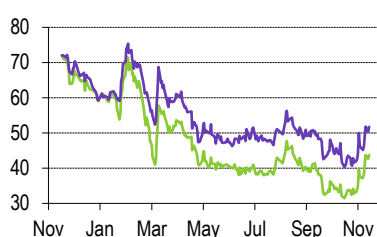
### Acquisitions to support profitability development

Boreo has grown strongly in recent years, driven by acquisitions. The company aims to grow operational EBIT by 15% with an ROCE of above 15% over the long term. EBIT growth of continued operations has been high in 2021-22E supported by acquisitions. ROCE has remained below the targeted level in 2021-22E. Boreo has acquired asset-light companies at an attractive acquisition ROCE, which should enable improvement in its ROCE. We estimate the operational EBIT margin to improve from 5.9% in 2022 to 7.1% in 2025.

### Coverage initiated with fair value range of EUR 38-45

We base our fair value range on a DCF (EUR 37-48) and peer group (EUR 38-45) valuation. We do not include new acquisitions in our estimates, but assess the M&A pipeline value potential based on our organic estimates and debt capacity.

### Share Price (12M)



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

### Marketing communication

commissioned by:

Boreo

### Financials (EUR)

Year end: Dec	2020	2021	2022E	2023E	2024E
Revenues (m)	98	124	162	169	170
Adj. EBIT	6	7	10	11	11
Pre-tax profit (m)	4	5	7	7	7
EPS	0.91	1.39	1.53	1.60	1.64
Adj. EPS	1.54	1.86	2.21	2.20	2.24
DPS	0.40	0.42	0.44	0.48	0.49
Revenue growth (%)	63.3	26.3	31.1	4.6	0.7
Adj. EBIT growth (%)	69.0	22.0	33.2	10.7	4.5
Adj. EPS growth (%)	69.8	21.0	19.1	(0.8)	2.0
Adj. EBIT margin (%)	6.0	5.8	5.9	6.3	6.5
ROE (%)	15.1	19.5	13.0	9.8	9.1
ROCE (%)	18.5	12.6	10.8	9.7	9.7
PER (x)	19.1	31.7	19.7	19.9	19.5
Free cash flow yield (%)	(18.1)	(7.9)	(4.4)	7.4	6.4
Dividend yield (%)	1.4	0.7	1.0	1.1	1.1
P/BV (x)	4.81	7.22	2.82	2.55	2.32
EV/Sales (x)	0.97	1.63	1.05	0.96	0.91
EV/Adj. EBITDA (x)	10.0	20.1	13.1	11.5	10.6
EV/Adj. EBIT (x)	16.1	27.6	17.6	15.2	14.0
Operating cash flow/EV (%)	9.8	1.0	(1.9)	6.7	6.2
Net debt/EBITDA (x)*	3.14	5.13	4.55	3.39	2.81

\*including EUR 20m hybrid loan

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

# Contents

	Page
<b>Investment case .....</b>	<b>3</b>
Financial summary .....	4
Valuation summary .....	5
Boreo in six charts .....	6
<b>Company overview .....</b>	<b>7</b>
History .....	8
Organisation .....	10
<b>Strategy .....</b>	<b>12</b>
Acquisitions .....	13
Portfolio company development .....	17
Opportunities for employees .....	20
Critical points in strategy success .....	21
<b>Portfolio overview .....</b>	<b>25</b>
Electronics .....	25
Technical Trade .....	31
Heavy Machines .....	35
Other Operations .....	38
<b>Boreo's market environment .....</b>	<b>39</b>
End-market exposure and dynamics .....	39
End-markets by segment .....	39
General market outlook .....	44
Nordic serial acquirer landscape .....	45
<b>Peer and competitor profiles .....</b>	<b>47</b>
<b>Financials .....</b>	<b>49</b>
Income statement .....	49
Cash flow .....	57
Balance sheet .....	59
<b>Estimates .....</b>	<b>60</b>
<b>Risks .....</b>	<b>65</b>
<b>Valuation .....</b>	<b>66</b>
<b>Management and board .....</b>	<b>70</b>
<b>SEAM (SEB's ESG Assessment Methodology) .....</b>	<b>71</b>
<b>Overview .....</b>	<b>75</b>

# Investment case

## **Expertise from B2B business provides solid foundation for serial acquirer strategy**

Boreo has its origins in electronics wholesale, as the company used to be an electronic component distributor called Yleiselektroniikka that was established in 1969. The company has a long track record of working with world-leading brands such as RS Components and TE Connectivity. The other strong cornerstone of the business is from Machinery Group, a Finnish technical distributor established in 1911 and was merged into Yleiselektroniikka through an acquisition in 2020. Machinery Group has a track record of working with world-famous brands such as Cummins and Kubota and supplying to large and demanding customers. Boreo launched its new serial acquirer strategy in 2021; In our view, its long track record in the B2B business is a sign of reliability and provides a strong foundation for evaluating and developing B2B businesses within a serial acquirer context.

## **Acquisition platform offers opportunities for value creation**

Boreo aims to acquire companies, develop them and invest cash flow profitably. The company has made about 13 acquisitions in the past few years, creating a platform for future value creation through acquisitions and company development. Boreo either tends to make add-on acquisitions to current companies or business areas, or platform acquisitions that provide opportunities for expansion and acquisitions in new areas. Boreo has been able to make acquisitions at tempting valuations and return on investment levels. Boreo allows portfolio companies to remain independent after acquisition, offering various opportunities for entrepreneurs, which is different to the approach of strategic or private equity acquirers. Boreo also aims to create an M&A mindset within the group and has already been able to utilise the existing portfolio companies' knowledge and networks when making acquisitions. We believe that its industrial experience and decentralised management should help Boreo to gain access to acquisitions with high expected returns but less competition.

## **Asset-light operations enable cash flows to be channelled to the most attractive targets**

The acquired companies have tended to have a light business structure and solid cash flow generation, which has enabled the investing cash flows to be channelled to the most attractive targets inside Boreo and externally to acquisitions. On average, portfolio companies in our sample<sup>1</sup> have had close to a 40% return on capital employed two years before the acquisitions. Over the same period, most of the acquired companies' net working capital has been below 20% of sales.

## **Portfolio company development and collaboration**

Decentralisation is the core concept behind Boreo's organisational design; the acquired companies operate autonomously, with support from the parent company and the business areas. For example, Boreo offers them sparring in strategy planning and business development and access to larger resources for investments if needed. Boreo also requires companies to establish proper reporting and governance functions. Companies share best practices with each other and have generated synergies in areas such as sourcing, marketing, and cross-selling, even though the acquisitions are not synergy-driven.

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<sup>1</sup> All the companies for which information was available.

It is our assessment that many SME companies may not have had access to such resources independently. Hence, we believe that Boreo has an opportunity to create value by giving access to these resources.

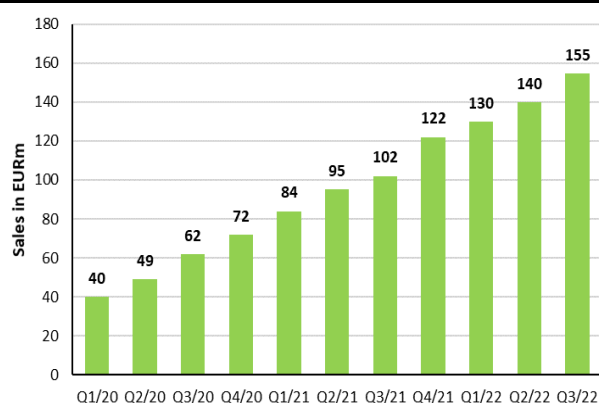
### High potential in the Finnish market

Boreo acquires companies in the SME market mostly in Northern Europe. Most of the acquisitions have been in Finland, where there is still a lot of untapped potential; There are notably fewer companies with a compounder strategy in Finland compared to Sweden, for example, and this offers interesting opportunities for acquisitions. We believe that its local and industrial knowledge help it to gain access to attractive acquisitions.

## Financial summary

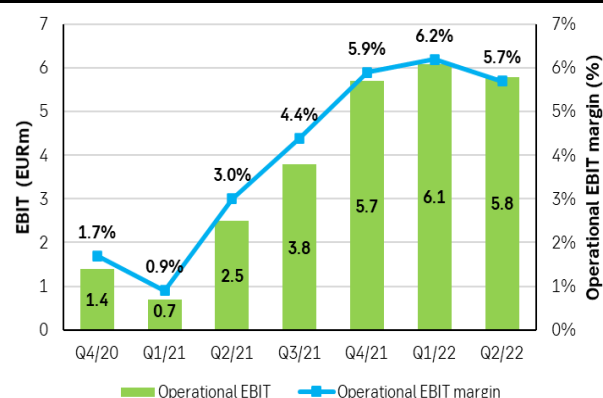
We project a CAGR for Boreo's sales of 4% during 2022-25 supported by acquisitions made in 2022. We believe that organic growth will be slower than this during 2023-24 due to uncertain economic conditions and Boreo's exposure to cyclical industries. Boreo has acquired companies at attractive valuations and many of these companies have been more profitable than Boreo. We see the acquisitions facilitating an improvement in profitability for Boreo going forward. The profitability of companies that have been part of Boreo since 2020 has been enhanced substantially over the past two years. We estimate Boreo's EBIT margin climbs from 5.9% in 2022 to 7.1% in 2025.

**Rolling 12m sales of continued operations**



Source: Boreo, SEB

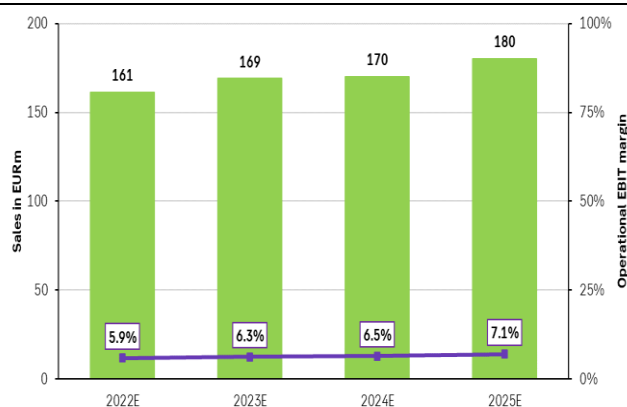
**Oper. EBIT of companies part of the group pre-Q4/20<sup>1</sup>**



<sup>1</sup> Includes acquired business as if they had been owned for last 12 months and companies including Yleiselektronikka, Machinery, Tornakone and Noretron Components

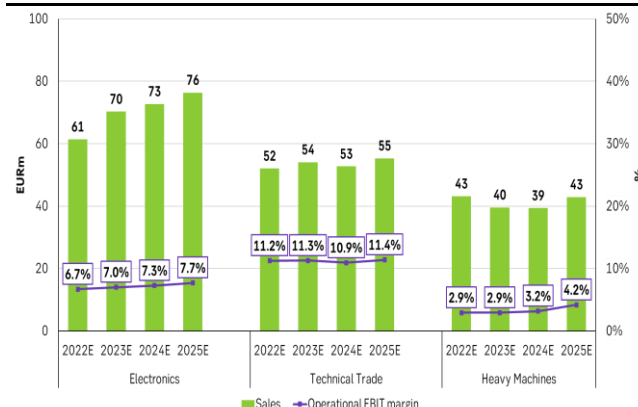
Source: Boreo, SEB

**Sales and operational EBIT estimates**



Source: SEB

**Sales and operational EBIT estimates by business area**

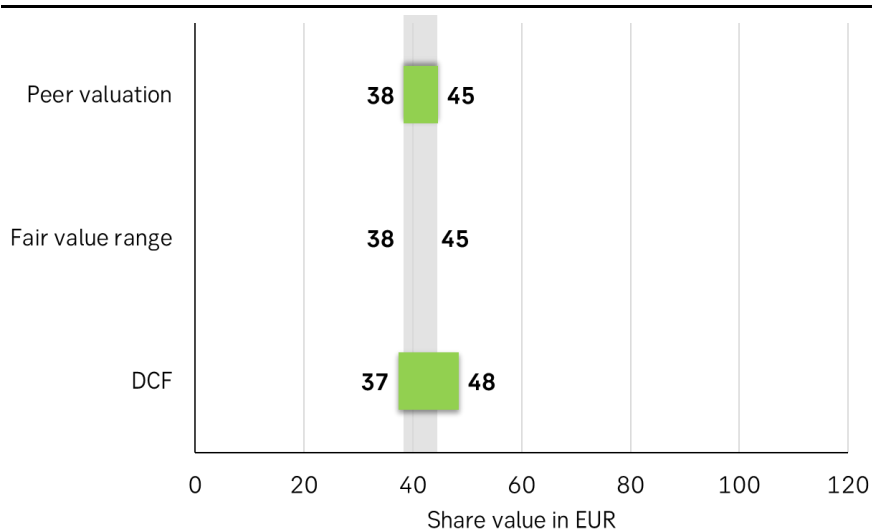


Source: SEB

## Valuation summary

We estimate a fair value range for Boreo of EUR 38-45 per share based on combination of peer group valuation (EUR 38-45) and DCF valuation (EUR 37-48). Our fair value range indicates a 2023E EV/adj. EBITA of 13.5-15.0x. In our peer group valuation, we use 2023E (adj.) EV/EBITA multiples for the Nordic serial acquirer peer group with median and 10% discount values. The DCF valuation uses our base case DCF and M&A pipeline estimation. Note that we have not included any new acquisitions in our estimates, but have assessed the potential value of the M&A pipeline by estimating Boreo's M&A firepower based on leverage targets and prior acquisition levels. Our base case DCF analysis yields a value of EUR 37 per share at WACC 8.7%, which we don't think fully reflects the value creation potential. The combined base case DCF and M&A pipeline value is EUR 48 assuming net debt /operational EBITDA leverage at 2.5x and EV/EBITDA of 4.5x for acquisition multiples. We note that the value of the acquisition pipeline increases notably at lower acquisition multiple levels. This illustrates the value creation potential for successful acquisitions.

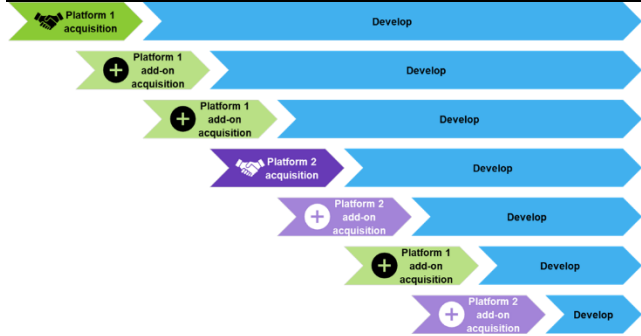
### Valuation overview



Source: SEB

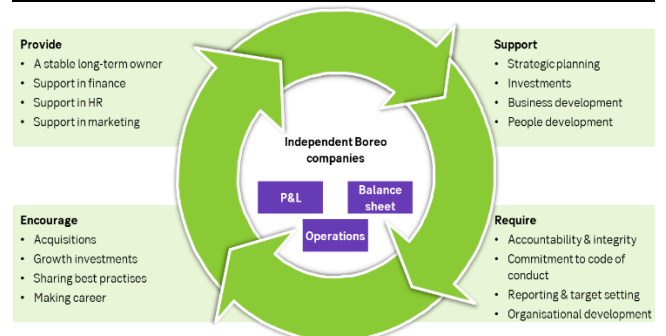
## Boreo in six charts

### Boreo acquisition model illustration



Source: SEB

### Boreo portfolio company development principles



Source: SEB, Boreo

### Cornerstones of Boreo's acquisition strategy

- 1 Attractive value proposition for entrepreneurs**  
Supportive long-term owner combined with entrepreneurial autonomy
- 2 Ownership and governance model allowing for effective capital allocation**  
Ownership and governance model gives access to SME market characterised by attractive valuations
- 3 Increasing level of proprietary deal sourcing**  
Better access to industries where Boreo has expertise and where it can bypass the auction processes

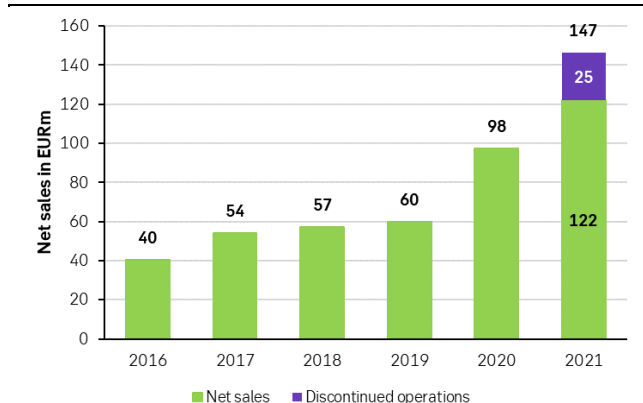
Source: SEB, Boreo

### Key acquisition criteria

Industrial characteristics	Financial characteristics
B2B	High cash conversion
Distribution	Asset light business model
Industrial services	Proven financial history
Light-manufacturing	Predictability
Organisational characteristics	Investment characteristics
Strong management	Solid margins
Fit with Boreo culture	Reasonable valuation
Committed entrepreneur (or credible continuation plan)	Double-digit cash flow based returns on capital

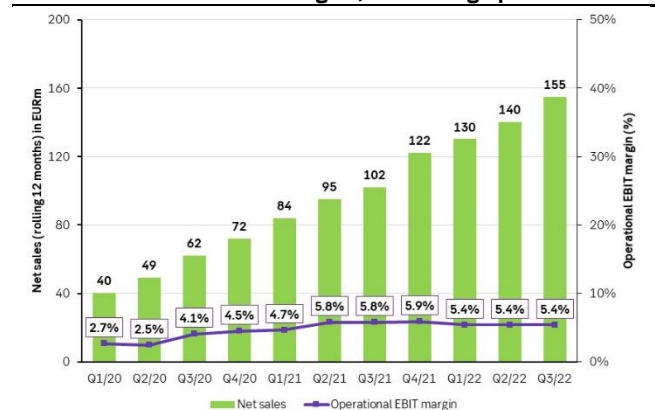
Source: SEB, Boreo

### Historical sales



Source: SEB, Boreo

### Last 12 month sales and margins, continuing operations



Source: SEB, Boreo

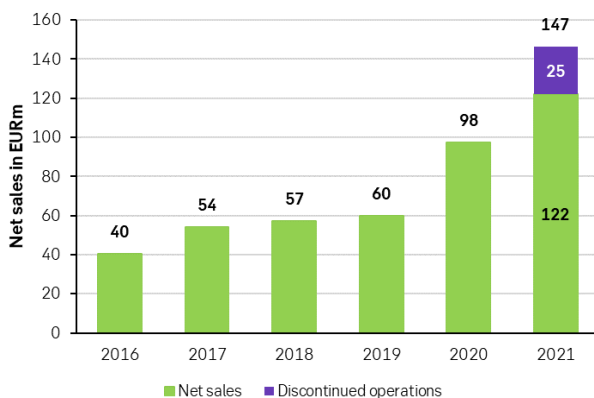
# Company overview

*This section is based on information from Boreo unless stated otherwise.*

## Boreo is a Finnish serial acquirer that acquires and develops B2B businesses in Northern Europe

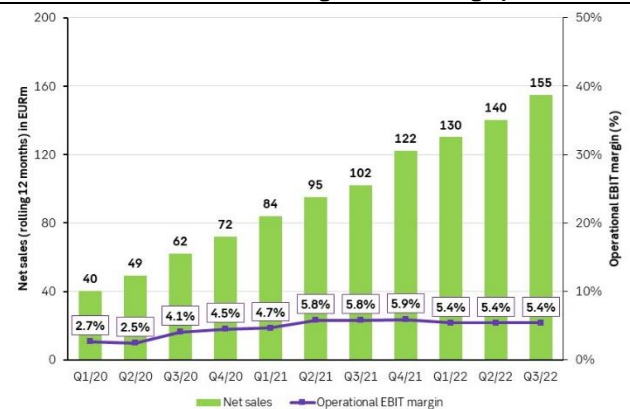
Boreo is a Finnish company that owns, acquires, and develops B2B businesses in Northern Europe. Boreo was founded in 1969 and is headquartered in Vantaa, Finland. Boreo's operations can be divided into three areas and other operations: Electronics, Technical Trade, and Heavy Machines. Boreo's main shareholder is Preato Capital AB, a Swedish privately owned investment company, with 71% of ownership.

**Historical sales**



Source: SEB, Boreo

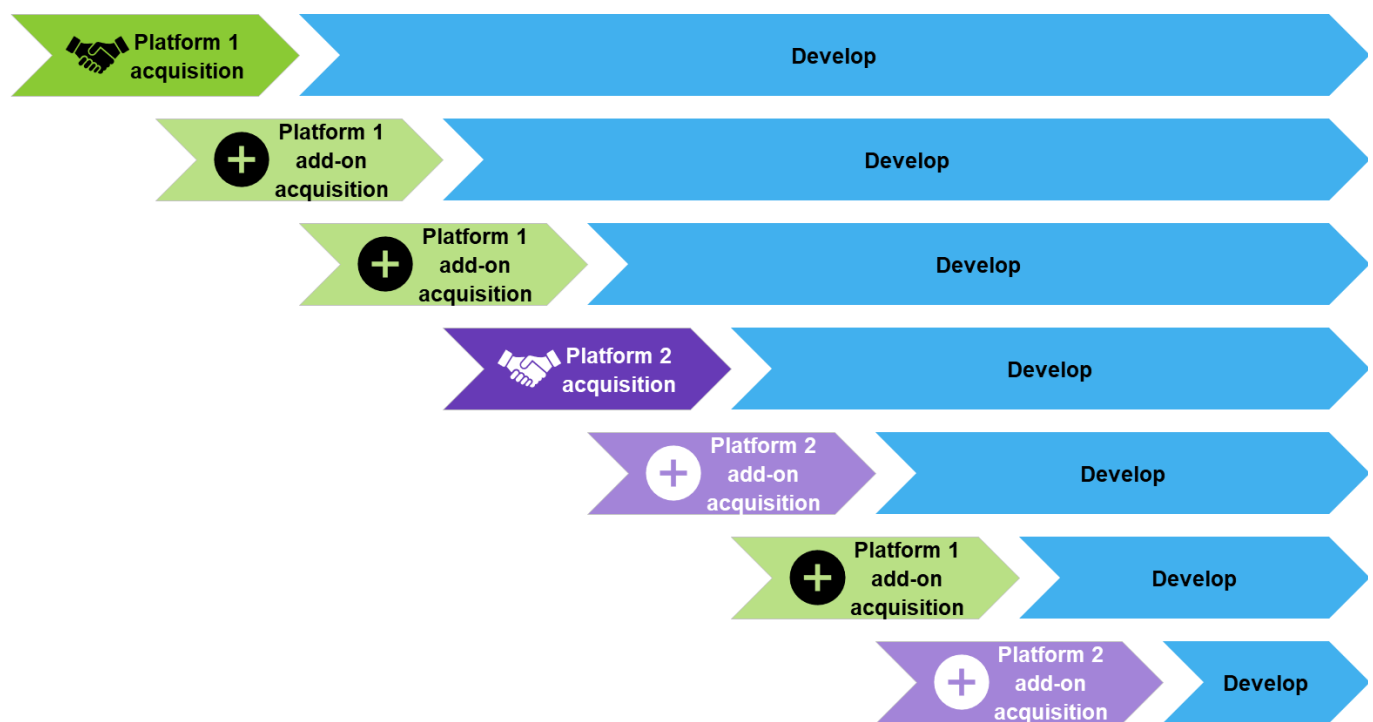
**Last 12 months' sales and margins, continuing operations**



Source: SEB, Boreo

## Boreo focuses on the long-term development of its acquired businesses

Boreo aims to be an eternal owner of the acquired companies and thus does not aim to sell them. Hence, Boreo develops the companies it owns over the long term. Boreo has a background in the electronics distribution business and has expanded this business via acquisitions but has also made platform acquisitions that can be utilised to expand into new business or geographical areas. For example, the company acquired construction and capital goods machine distributor Machinery Group in 2020, opening the door to the technical trade, which was subsequently expanded with two additional companies. In 2021, Boreo acquired Sany Nordic and PM Nordic, heavy machine distribution businesses in Sweden for the same brand the company had in Finland earlier, thereby creating synergies and opening the way for expansion in Sweden.

**Boreo acquisition model illustration**

Source: SEB

## History

**Boreo, established in 1969, has roots in electronics distribution business, and was previously known as Yleiselektroniikka Oyj**

Boreo Oyj, previously known as Yleiselektroniikka Oyj, was founded in 1969. Originally, Yleiselektroniikka Oyj served customers in one shop in Helsinki, Finland. Yleiselektroniikka started the resale of electrical components after the acquisition of Sähkö-Välitys Oy in 1975. The company moved to Olarinluoma, Espoo in 1984 as its product base started to grow. In 1985, the product base reached a milestone of over 10,000 products. Shortly after, the company completed its initial public offering and was listed on Nasdaq Helsinki in 1988. During the period 1989-2017 Yleiselektroniikka grew steadily organically and via acquisition. Yleiselektroniikka entered the Russian markets in 1994 but has subsequently exited Russia. Yleiselektroniikka also entered the Baltics with the acquisition of A-Kabel companies in 1996. Yleiselektroniikka added another business area to its functions after acquiring Noretron Komponentit in 2017. Swedish privately owned investment company Preato Capital acquired the majority shareholding in Yleiselektroniikka in 2019.

**Machinery, established in 1911, diversified Yleiselektroniikka's offering into the technical trade when the two were merged in 2020**

Separately from Yleiselektroniikka, Finnish Machinery Group, founded in 1911, completed the acquisition of Tornokone, a Finnish market leader in the concrete industry selling and renting equipment and machines, in 2019. In addition, Machinery completed a number of smaller acquisitions to complement the power and metal machines business in 2017-2019. After the acquisition of Tornokone, Machinery Group acquired into the current Boreo group in 2020. The acquisitions of Machinery Group and Tornokone diversified Yleiselektroniikka's offering into the technical trade. Soon after, Finnish Muottikolmio was also acquired and merged into the group.



### Yleiselektroniikka entered the Swedish market in 2021

Yleiselektroniikka expanded its geographical footprint and entered the Swedish market in 2021 through the acquisitions of PM Nordic and Sany Nordic. Soon after, Yleiselektroniikka published its new brand and strategy, changing the name to Boreo Oyj and officially announcing its compounder strategy. At the same time, Boreo diversified its offering even further, and completed the acquisitions of Etelä-Suomen Kuriiripalvelu Oy, Teitteam Oy, Milcon Oy, and Floby Nya Bilverkstad AB.

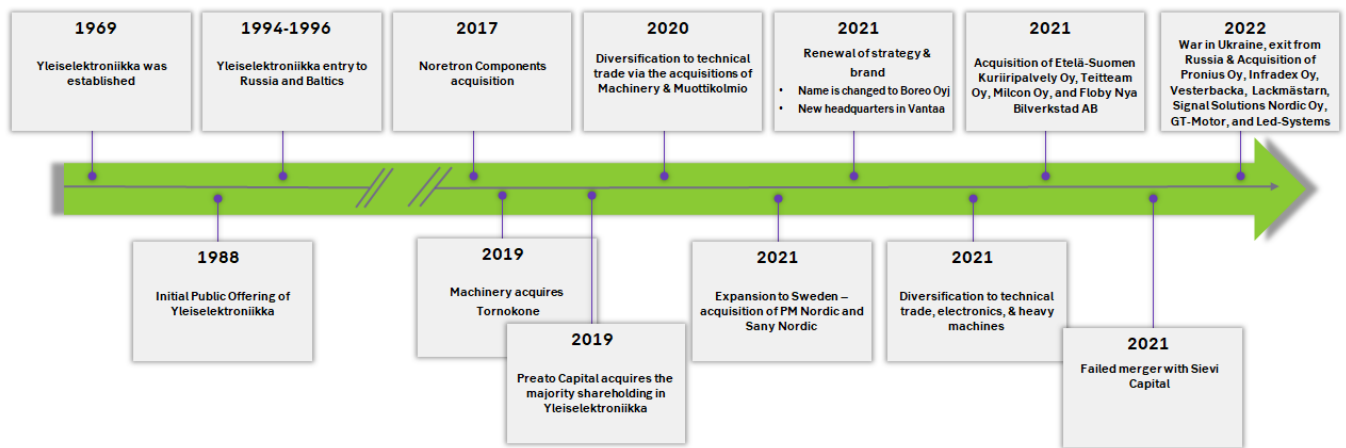
### Proposed merger between Sievi Capital Oyj and Boreo failed in 2021

Sievi Capital Oyj, a Finnish private equity company, and Boreo Oyj proposed to merge in 2021. However, the merger failed due to lack of support from Sievi's shareholders.

### Boreo exited the Russian market in Q3/22

Boreo Oyj exited Russia in Q3/2022 because of the war in Ukraine. Boreo's entire 90% of the Russian shareholding was sold to the minority owner of the Russian subsidiary.

#### Boreo's milestones



Source: Boreo

# Organisation

## Boreo operates as a decentralised organisation

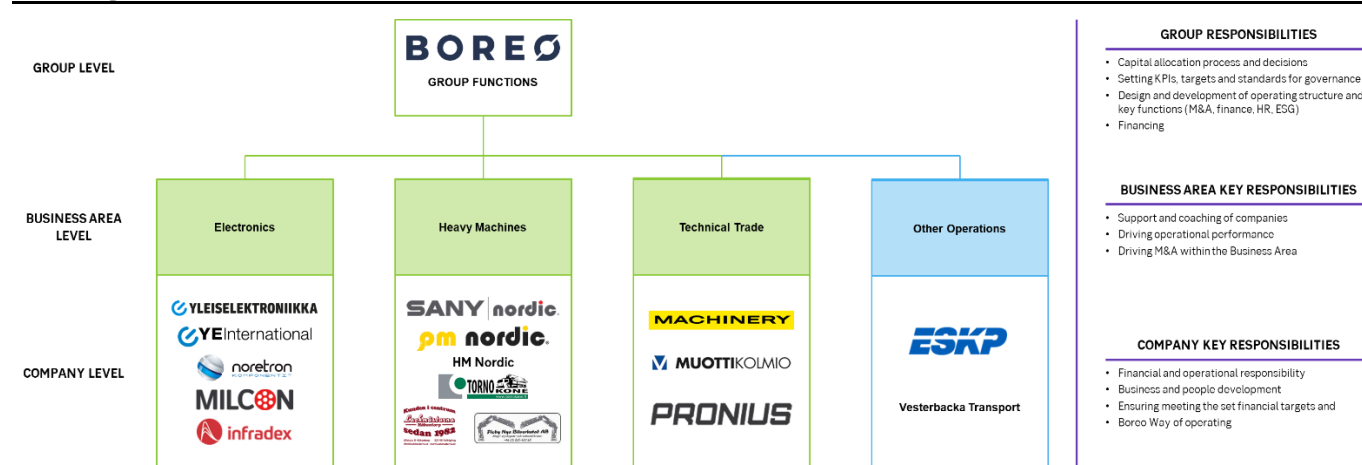
Boreo aims to acquire companies that have asset-light operations and are capex-light so that Boreo's cash flow can be invested in new acquisitions or organic growth initiatives. Acquired companies are independent in terms of management, but Boreo supports them through funding, marketing, and communication, as well as with strategic sparring and by sharing best practices among portfolio companies.

## Boreo is divided into three business areas: Electronics, Technical Trade, and Heavy Machines: the companies retain independence and operate within the business area structure.

### Organisation structure & culture

Boreo's organisational structure includes parent company Boreo Plc and portfolio companies that are divided into three business areas: Electronics, Technical Trade, and Heavy Machines. Additionally, the company has other operations that include logistics businesses in Finland. Portfolio companies work independently and are responsible for operational and strategic development. Business area heads and controllers support and coach companies within the respective business area relating to strategic development, for example, but do not aim to introduce the group-level industrial strategy within the portfolio companies. Group finance, group HR, and communications, as well as capital allocation and the governance framework, are taken care of at the parent company level.

### Boreo organisational structure



Source: Boreo, company websites, SEB

**Boreo's management has a mixture of industry, business development and M&A experience**

## Management

Boreo's management has a mixture of industry, business development, and M&A capabilities and experience. CEO Kari Nerg has an extensive background in M&A and private equity. Meanwhile, CFO Aku Rumpunen and Head of the Electronics Business Area and SVP, Development Tomi Sundberg previously worked at a listed equipment rental company, Cramo, where Mr Rumpunen was CFO and Mr Sundberg was Head of New Business, Business Development. The other business areas are led by Janne Silvennoinen, the former CEO of Yleiselektroniikka who now runs the Technical Trade Business Area, and Richard Karlsson, Head of the Heavy Machines Business area. Mr Karlsson used to be the owner of PM Nordic and Sany Nordic and took responsibility as the Head of the Heavy Machines Business area after Boreo acquired these companies.

## Management team



**Kari Nerg**  
CEO (2020-)  
M.Sc. in Agriculture and Forestry, CEFA  
**Selected experience:**

- Head of Nordics and UK, Mutares SE & Co.
- COO, Häggblom & Partners



**Aku Rumpunen**  
CFO (2020-)  
M.Sc. in Economics, M.Sc. in Geography  
**Selected experience:**

- CFO and Management team member, Cramo
- Financial manager & Business control roles, YIT



**Mari Katara**  
SVP, Group HR (2020-)  
M.Sc. in Economics  
**Selected experience:**

- HR Manager, Head HR Management team member, OP, Pohjola Hospitals
- HR manager, Management team member LänsiAuto



**Jesse Petäjä**  
SVP, M&A (2021-)  
M.Sc. in Economics  
**Selected experience:**

- Manager, Mutares SE & Co.
- CEO, Petäjä Group
- Investment Banking Analyst, Citigroup



**Janne Silvennoinen** *Head of Technical Trade (2020-)*  
M.Sc. in Engineering and Economics  
**Selected experience:**

- Former CEO of Yleiselektroniikka
- BA head, Kontram Oy



**Richard Karlsson**  
*Head of Heavy Machines (2021-)*  
Lieutenant  
**Selected experience:**

- Former entrepreneur & CEO of PM Nordic
- Lieutenant of Swedish defence forces
- CEO, Elephant Group AB



**Tomi Sundberg**  
*Head of Electronics & SVP, Development (2021-)*  
M.Sc. in Economics  
**Selected experience:**

- CEO, Storent
- Head of new Businesses, Business Development, Cramo

Source: Boreo

# Strategy

*This section is based on information from Boreo unless stated otherwise.*

**Boreo's strategy is based on three cornerstones: acquisitions, portfolio company development, and people and culture**

Boreo's strategy leans on three cornerstones: acquisitions, portfolio company development, and people and culture. Boreo aims to make acquisitions at attractive valuations and invest the generated cash flows internally or externally in the most profitable targets. Boreo's decentralised governance model offers various opportunities to the acquired companies. This is different to the approach of strategic or private equity buyers, which helps the company gain access to attractive acquisitions with minimal competition. Acquired companies can remain independent but receive support from Boreo to grow and develop. Key employees are often an integral part of the portfolio companies' development and Boreo aims to offer them interesting career opportunities.

## Boreo's strategic cornerstones

<b>Purpose</b>	The place to grow and prosper		
<b>Business model</b>	Create long-term value by owning and acquiring great companies		
<b>Strategy</b>	<b>Acquisitions</b>	<b>Development</b>	<b>People &amp; culture</b>
	Create growth via acquisitions	Enable growth of portfolio companies	Provide opportunities for people to grow and prosper
<b>Strategic financial targets</b>	Minimum 15% annual average operational EBIT growth	Minimum 15% ROCE	Net debt / operational EBITDA 2-3x
<b>Guiding principles</b>	Entrepreneurship Accountability	Think big down-to-earth	Value creation & long-term view

Source: Boreo, SEB

## Acquisitions

Acquisitions are at the core of Boreo's business model. The core of Boreo's value creation model is to invest cash flows profitably either internally or externally, and many SME acquisitions offer tempting returns on investment.

**Boreo offers various opportunities for entrepreneurs, compared to the approach of PE or strategic acquirers**

Boreo acquires companies with the aim to be their permanent owner rather than sell them on. Boreo offers the entrepreneurs independence but at the same time they get a supportive owner in Boreo. Its ownership model allowing independence and support offers the opportunity for entrepreneurs to continue developing their businesses despite selling these. This is a different kind of opportunity compared with private equity (PE) owners, for example, which tend to be owners for five to seven years, or strategic owners that may integrate the company into the acquirer or make large structural changes.

**Boreo's acquisition and governance model help it to gain access to acquisitions with attractive returns on investment**

Many smaller companies with attractive potential returns on acquisition may be rather dependent on their entrepreneurs or 'too small', making a potential acquisition less attractive for private equity or strategic buyers. Boreo's targets may not offer easy pickings for organic growth, making them less tempting for private equity buyers. On the other hand, Boreo looks for companies that provide solid cash flow that can either be invested organically if they offer attractive potential returns, or externally to most profitable targets. As Boreo allows the acquired companies to remain independent, heavy integration is not needed and entrepreneurs can stay and run the company. Boreo's acquisitions are not synergy-driven, which increases the potential number of acquisition targets significantly compared with synergy-driven buyers. This can help Boreo to gain better access to companies with attractive expected returns on investment and potentially less competition. Boreo uses its industry experience to source and evaluate acquisition targets, and this can improve its access to interesting companies with less competition.

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### Cornerstones of Boreo's acquisition strategy

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**1**

#### **Attractive value proposition for entrepreneurs**

Supportive long-term owner combined with entrepreneurial autonomy

**2**

#### **Ownership and governance model allowing for effective capital allocation**

Ownership and governance model gives access to SME market characterised by attractive valuations

**3**

#### **Increasing level of proprietary deal sourcing**





Better access to industries where Boreo has expertise and where it can bypass the auction processes

Source: Boreo, SEB

**Boreo looks for strong management, light operations, solid return on capital and entrepreneurial commitment in the acquired companies**

Boreo intends to acquire companies that are profitable and have asset-light operations that do not tie up too much cash, so that cash flow can be invested in new acquisitions. Acquired companies may not necessarily have track records of double-digit growth, but they mostly have good returns on capital employed (often +30%). The company prefers to target B2B industries. Boreo also looks for companies with a strong management and for entrepreneurs (or an in-house successor) who are willing to commit to the story of the acquired company under Boreo's ownership. Boreo does not want to acquire faceless businesses: therefore, if there is no in-house management continuing in the acquired company, Boreo is unlikely to make the acquisition. It is important for Boreo that the portfolio companies continue with an entrepreneurial culture and have a strong drive to generate cash flows that can be invested further.

**Key acquisition KPIs**

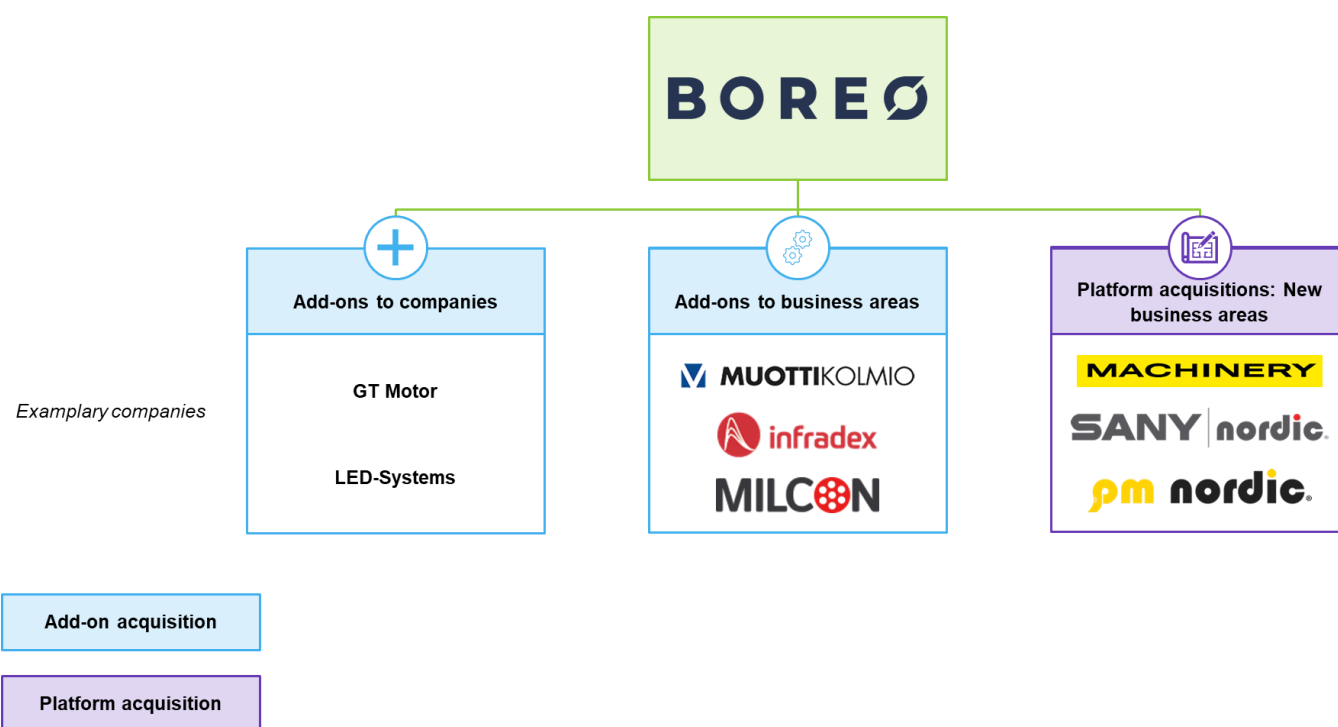
			
Industrial characteristics	Financial characteristics	Organisational characteristics	Investment characteristics
<p><b>B2B</b></p> <p>Distribution</p> <p>Industrial services</p> <p>Light-manufacturing</p>	<p><b>High cash conversion</b></p> <p>Asset light business model</p> <p>Proven financial history</p> <p>Predictability</p>	<p><b>Strong management</b></p> <p>Fit with Boreo culture</p> <p>Committed entrepreneur (or credible continuation plan)</p>	<p><b>Solid margins</b></p> <p>Reasonable valuation</p> <p>Double-digit cash flow based returns on capital</p>

Source: Boreo, SEB

**Boreo intends to make either add-on acquisitions to expand the current business, or platform acquisitions to open the opportunities for new business**

Boreo has made 14 acquisitions since the beginning of 2017, some of which have included the acquisition of several entities. Boreo intends to make either add-on acquisitions that strengthen the existing companies or business areas, or platform acquisitions that open a completely new platform for further acquisitions. As an example of an add-on acquisition, Boreo acquired LED Systems which is now part of the Yleiselektronikka business. An example of a platform acquisition is Machinery Group, which at the time expanded Boreo's (then known as Yleiselektronikka) wholesale business from electronics to technical trade and thus provided a more comprehensive offering. Another example of a platform acquisition is PM Nordic and Sany Nordic; Boreo had previously distributed Putzmeister's products in Finland through its Tornokone business, and with these acquisitions it acquired the same distribution business in Sweden as well. The acquisitions not only expanded Boreo's heavy machines business, but also expanded its business into Sweden, opening a platform from which to grow in Sweden with other businesses as well. Add-on acquisitions are typically smaller, while platform acquisitions can even be notably larger. For example, Machinery Group generated about EUR 50m in sales in fiscal year 2019, before the acquisition, close to Boreo's sales in 2019.

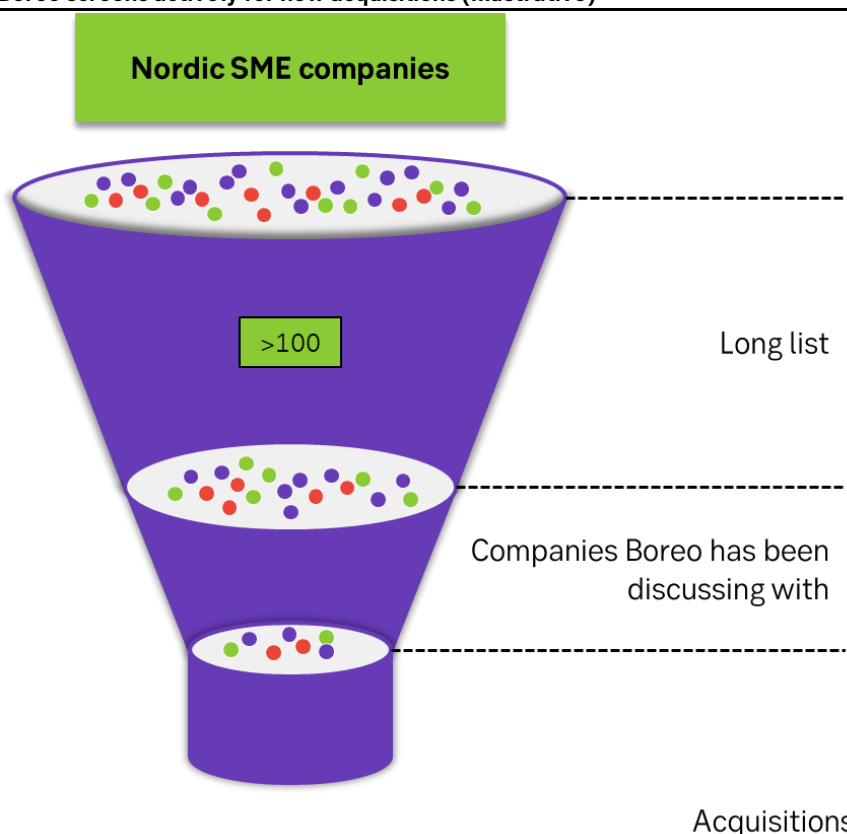
## Boreo acquisition model



Source: Boreo, SEB, company websites

### M&A experience has helped Boreo to create efficient M&A processes

Boreo's M&A team can vary for each acquisition, but typically includes the business area head, the business area controller and the head of M&A, in addition to the CEO, CFO and finance and HR teams. The acquisition and onboarding processes are standardised to make them more efficient. The company's acquisitions have helped it to develop standardised guidelines, documentation, and post-acquisition reviews. Boreo has gathered people with M&A experience, and it aims to execute almost the entire process with an in-house team; external advisors are mainly needed in legal matters. Hence, external transaction costs tend to be light, some EUR 5,000-30,000 on average, according to the company. Boreo actively screens potential companies and Boreo's top management aims to meet the potential acquisition target in person. Boreo is actively in discussions with several companies and said that it has hundreds of companies on its list.

**Boreo screens actively for new acquisitions (illustrative)**

Source: SEB estimates

**Portfolio company know-how is utilised in new acquisitions**

The business area heads and controllers are actively involved in the M&A process. The business controllers drive the M&A process, and the business area heads are in continual discussion with the M&A organisation to generate ideas and solutions. The Head of M&A manages the whole process and supports the rest of the deal team. Boreo aims to develop an 'M&A mentality' within the personnel of the company to find new acquisition ideas. It believes that prior experience and scale do not only help in efficiently implementing the acquisition process, but also aid with deal sourcing and evaluation; several of the acquisition targets have been found through contacts at existing portfolio companies. This helps in finding acquisition targets with attractive returns on investment. The industrial know-how can also be used in evaluating potential acquisition targets and the rationale for acquisitions. Boreo has proved to be effective in the acquisition process, since it has not, according to the company, used cash for any transaction that it has not ultimately completed (except the cancelled merger with Sievi).



### Boreo's development of M&A capabilities



Source: Boreo, SEB

## Portfolio company development

**Boreo helps to strengthen and support the operational performance of its portfolio companies while allowing them to stay independent**

Boreo aims to help the companies it acquires to improve their operational performance. The companies remain independent after acquisition, but Boreo spars them with over strategic or business development issues that these companies feel they need help with. Boreo sets targets for all of the companies. Operational targets are individual for each company, but the financial metrics tracked are the same across Boreo's portfolio.

### Different level responsibilities in Boreo's organisation

Group key responsibilities	Business area key responsibilities	Company key responsibilities
<ul style="list-style-type: none"> <li>Capital allocation process and decisions</li> <li>Setting KPIs, targets and standards for governance</li> <li>Design and development of operating structure and key functions (M&amp;A, finance, HR, ESG)</li> <li>Financing</li> </ul>	<ul style="list-style-type: none"> <li>Support and coaching of companies</li> <li>Driving operational performance</li> <li>Driving M&amp;A within the Business Area</li> </ul>	<ul style="list-style-type: none"> <li>Financial and operational responsibility</li> <li>Business and people development</li> <li>Ensuring meeting the set financial targets and</li> <li>Boreo Way of operating</li> </ul>

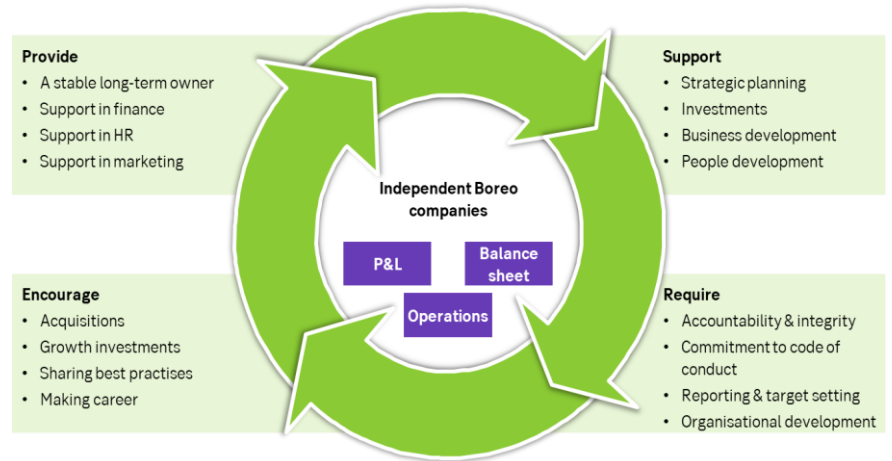
Source: Boreo, SEB

**Boreo helps its portfolio companies with strategic planning and a governance model in addition to providing a professional network**

Boreo helps the companies it acquires to create a governance model, a five-year strategy plan, and reporting functions from the outset. For example, governance or reporting functions may be less extensive in small privately owned companies compared with what Boreo requires. We believe that support in organisational development and strategy when needed gives the acquired companies a base from which to develop. The companies Boreo acquires are often small and have been led by entrepreneurs. Boreo offers the companies an opportunity for stronger support for investment and development as well as in areas such as HR and finance. We believe that this could be valuable for those companies with small operations and less extensive group functions and thus that may have narrower competences across different areas.

Hence, Boreo provides the companies it acquires with access to a large professional network, and advisory that many of small companies would not have access to independently. Boreo also encourages companies to make acquisitions and supports the companies in this process.

#### Boreo interacts with its portfolio companies



Source: Boreo, SEB

**Portfolio companies remain independent, but report to and meet and spar with group representatives regularly**

Boreo requires a strong commitment and entrepreneurial culture from its companies. Boreo wants the portfolio companies to remain managed independently with an entrepreneurial culture, but at the same time it is in regular contact with them. Portfolio companies issue monthly reports as well as having regular discussions with the parent company.

**The companies have three board meetings annually**

The companies have three board meetings annually, hold various workshops and have regular strategy and performance discussions. In addition, every year Boreo organises two offsites for the key employees of the portfolio companies for a couple of days for networking and best practice sharing. Best practice sharing is active through board work, as the managing directors of the portfolio companies are often members of the board in other portfolio companies in the same business area.

**Boreo's acquisitions are not synergy-driven, but portfolio companies are encouraged to cooperate with each other**

Overall, the cooperation is close inside each business area. For example, Boreo does not have group level marketing functions, but larger portfolio companies have been able to help smaller portfolio companies with marketing. The companies are also starting to increase cross-selling synergies, but acquisitions are not synergy driven; according to the company, synergies are seen as a benefit, but the acquisitions should not be based on the assumption of synergies, as the success of these types of acquisitions often includes more uncertainty. Still, the company is starting to foster closer cooperation between companies and several of them are located close to each other, which naturally leads to more collaboration. Boreo has focused on companies in the same locations in Vantaa and Tampere, which has helped in terms of collaboration and making the organisation more efficient. Also, companies in the same business, such as Heavy Machines, have started joint sourcing, increasing their negotiation power and lowering costs.

### Boreo's development tools vary from short to long term

Boreo aims to improve its portfolio companies over time; in the short to medium term after the acquisition, Boreo can help the company to create and sharpen its five-year strategy plan, streamline its operations and, for example, cut costs, which can improve the profitability. However, the process takes time as it may be a large change for the entrepreneurs to give up the ownership of their business and get used to working under another ownership. Also, the benefits from collaboration with other portfolio companies and other business development may take time.

### Boreo aims to develop companies in the long term, which is also reflected in the new financial targets

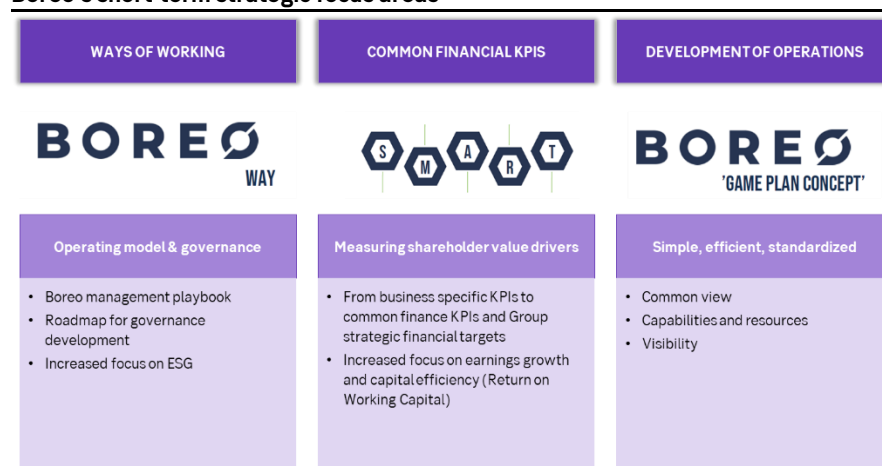
Boreo intends to develop the companies over the long term, while still monitoring their performance through policies such as monthly reviews. We think that this approach is reflected in the new financial targets, where the operational EBIT margin target was removed, and ROCE and operational EBIT growth targets were added.

### In the short term, Boreo is working on implementing its strategic targets of improving the operational model, unifying financial KPIs and rolling out its strategic game plan with companies

#### Short-term focus areas

In the short term, Boreo continues to work on sharpening its governance model and implementing its strategic targets; it continues to work on improving its operational model to be the most efficient to develop its companies according to its strategy. Also, the company has been working with ESG; it has defined the people responsible for ESG matters and has started materiality and stakeholder assessments through an external advisor. The company aims to publish its ESG roadmap in the near future. The company has also been moving from business-specific KPIs to common KPIs to align them with group strategic targets and streamline comparability between companies. For example, Boreo has been shifting its focus to cash flow and return on working capital in KPIs, and the common KPIs enable better best practices sharing. Overall, solid cash flow generation is an integral part of its short- and longer-term focus area to help secure investment opportunities. As the third short-term focus area, Boreo aims to implement its strategic game plan in all of the business areas. The company has acquired several companies over the past year, and the strategic game plan has been implemented in about half of these. In particular, there is still a lot of work to be done in the Heavy Machines Business Area, while other areas such as the Electronics Business Area are further along, as Boreo has focused more on these until now.

#### Boreo's short-term strategic focus areas



Source: Boreo, SEB

## Opportunities for employees

**Employees are at the core of Boreo's strategy: it wants to create career opportunities for the highly skilled employees in its portfolio companies**

Given that acquisitions are SMEs, incentivizing key employees is an important part of Boreo's strategy. Employees are often crucial for a small company's performance. The subsidiaries are also often dependent on their founders or former entrepreneurs of the companies. Hence, it is essential for Boreo to be an attractive employer to be able to retain employees. Meanwhile, it can be an asset for Boreo to be able to provide a role for entrepreneurs in the sold company also after the acquisition, when they are considering whether and to whom to sell their companies. Being part of bigger Boreo helps the subsidiaries to recruit new employees, but also an opportunity for development and progress for entrepreneurs and employees previously working at smaller companies with less resources, as well as for employees in the parent organisation, who get constant M&A and business development experience. Lastly, the key employees are often skilled professionals in their industry, who can be utilised not only to develop their original portfolio company, but also other companies in terms of sharing best-practice, board work and evaluating and sourcing new acquisition opportunities, among other things.

### Employees play a key role in the implementation of Boreo's strategy



Source: Boreo, SEB

**Boreo offers training and development opportunities for its employees**

Boreo started its first Boreo Academy in H1/22. This two-year learning programme consists of two programmes: A Leadership Programme for the group's key employees and a Talent Programme that is meant for a few select employees at Boreo's portfolio companies. Employees in the Talent Programme attend training, get individual senior mentorship from Boreo's parent organisation and could potentially have the opportunity to do an exchange in another country where Boreo operates or another portfolio company. This creates opportunities for long-term career development. Even though Boreo's journey as a serial acquirer is short so far, the company has some evidence of career progress inside the group: the former entrepreneur of PM Nordic and Sany Nordic is now head of the Heavy Machines business area, which has provided the opportunity for another former employee at PM Nordic to become managing director.

Boreo organises various workshops and training for its employees. Also, it has created an organisation-wide learning portal and other structural elements such as a code of conduct. These are things that smaller organisations in particular may not have access to otherwise.

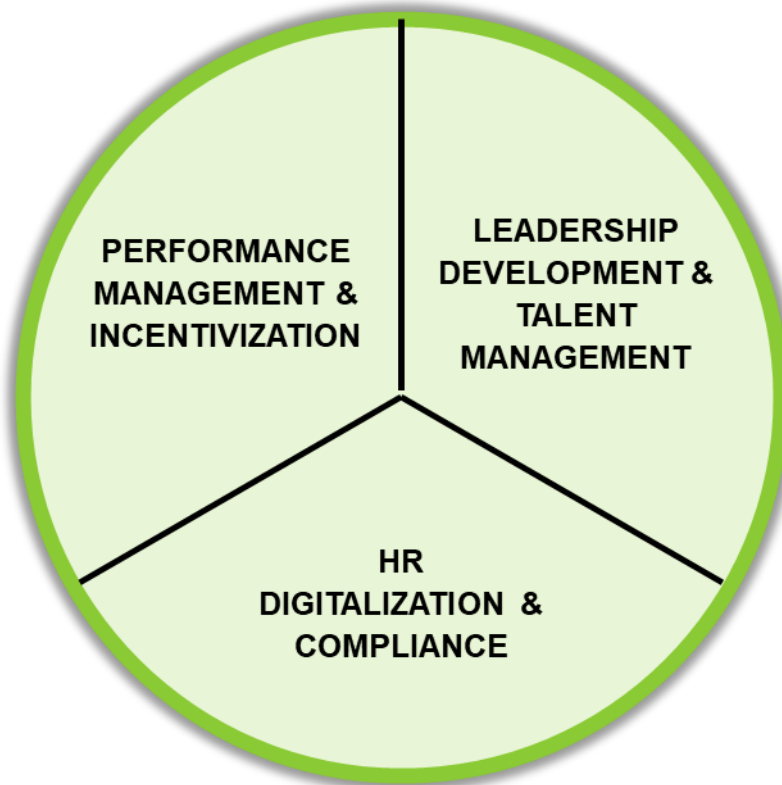
**Boreo aims to align the incentives of employees and the parent company by offering employees the opportunity to become owners**

Boreo also aims to increase the commitment of its employees by offering them an opportunity to become owners. In summer 2022, Boreo issued shares to personnel at a 10% discount to the May volume-weighted share price. Additionally, the company offered a matching share plan, allowing 35 key employees to acquire shares in a personnel issue and then receive additional shares after three years if they are still employees of the group, in relation to the number of shares acquired in the personnel issue (one extra share per three shares acquired). In total, 41 employees participated in the personnel share issue, with causing the offer to be oversubscribed. For some acquisitions, such as Floby Nya Bilverkstad and Signal Solutions, the transaction price was partly paid in Boreo shares. Also, some transactions have included earn-outs based on the performance of an acquired company, increasing the commitment and incentive for the management of the acquired companies.

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**Boreo focuses on people development**

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Source: Boreo, SEB

## Critical points in strategy success

*This section is based on SEB analysis.*

### **Boreo still has a short track record of acquisitions**

Success in value-creating acquisitions and long-term portfolio company development is critical in Boreo's long-term success. Compared to many Swedish serial acquirers that have been able to create value over time, Boreo's track record is short. Hence, there is little evidence of Boreo's ability to develop companies and create value through acquisitions in the long term. It has made 14 acquisitions since 2017 (additionally, Machinery Group acquired Tornokone in 2019 and some other smaller companies, before Machinery was acquired by Boreo, then named Yleiselektronikka, in 2020).

### **Boreo's acquisitions have been made at decent prices and correspond to an average EBITDA margin of 10-11%**

In total, we estimate that Boreo has acquired close to EUR 12m of EBITDA and EUR 110m of sales since the beginning of 2020. This reflects an average of 10-11% EBITDA margin. Meanwhile, Boreo has been able to make acquisitions at decent prices; it has acquired companies with LFY EV/EBITDA multiples ranging at 2.3x-6.5x while Boreo has been trading on average at 15.9x EV/EBITDA during the announcements of acquisitions (correspondingly LFY EBITDA and net debt and up-to-date market cap). Consequently, transaction ROCE (Acquired EBIT/EV) has been typically above 20%, which seems to us attractive for value creation.

Boreo's acquisition history and Boreo's valuation multiples<sup>1,2</sup>

Announcement date	Target	Acquired stake	Segment	Transaction EV	Target EBITDA LFY	Target Sales LFY	Target EBITDA margin LFY	Transaction EV/EBITDA LFY	Transaction EV/Sales LFY	Transaction ROCE <sup>3</sup>	Boreo MCAP	Boreo net debt (LFY)	Boreo EV (LFY net debt)	Boreo EBITDA LFY	Boreo sales LFY	Boreo EV/EBITDA LFY
31/01/2017	Noretron komponentit	90%	Electronics	2.2	0.46	5.1	9%	4.8x	0.4	21%	15.9	-4.8	11.1	2.8	40.3	4.0x
06/06/2019	Tornokone (acquired by Machinery)	100%	Technical Trade			15.9										
03/02/2020	Machinery Group	100%	Technical Trade	25	3.8	52.2		6.5x	0.5	14%	26.4	-3.5	22.9	4.5	59.9	5.0x
02/09/2020	Muottikolmio	100%	Technical Trade	4.0	1.1	4.9	23%	3.6x	0.8	25%	42.3	-4.0	38.3	4.5	59.9	8.4x
17/12/2020	Sany Nordic & PM Nordic <sup>4</sup>	100%	Heavy Machines	65	11.5	132.8	9%	5.7x	0.5	16%	68.2	-4.0	64.1	4.5	59.9	14.1x
01/04/2021	Etela-Suomen Kuriiripalvelu & Teitteam	100%	Other	3.2	1.2	3.9	31%	2.7x	0.8	18%	94.2	19.8	114.0	6.3	97.5	18.1x
20/05/2021	Milcon	100%	Electronics	1.3	0.4	4.2	9%	3.4x	0.3	30%	108.9	19.8	128.7	6.3	97.5	20.4x
30/06/2021	Floby Nya Bilverksstad AB <sup>4</sup>	100%	Heavy Machines	40	9.8	91.0	11%	4.1x	0.4	22%	118.5	19.8	138.3	6.3	97.5	21.9x
27/01/2022	Pronius	100%	Technical Trade	5.0	1.2	5.5	22%	4.1x	0.9	23%	161.8	41.0 <sup>5</sup>	199.8 <sup>5</sup>	8.7 <sup>5</sup>	122.0 <sup>5</sup>	23.0x <sup>5</sup>
01/03/2022	Infradex	100%	Electronics	1.0	0.4	1.9	23%	2.3x	0.5	42%	125.6	41.0 <sup>5</sup>	166.6 <sup>5</sup>	8.7 <sup>5</sup>	122.0 <sup>5</sup>	19.2x <sup>5</sup>
01/03/2022	Vesterbacka Transport	100%	Other	0.5	0.0	0.55	8%	neg.	0.9	neg.	125.6	41.0 <sup>5</sup>	166.6 <sup>5</sup>	8.7 <sup>5</sup>	122.0 <sup>5</sup>	19.2x <sup>5</sup>
03/05/2022	Signal Solutions	100%	Electronics	5.7	1.1	13.0	8%	5.2x	0.4	14%	117.5	41.0 <sup>5</sup>	158.5 <sup>5</sup>	8.7 <sup>5</sup>	122.0 <sup>5</sup>	18.2x <sup>5</sup>
30/05/2022	GT Motor	100%	Technical Trade			0.20					107.7	41.0 <sup>5</sup>	148.7 <sup>5</sup>	8.7 <sup>5</sup>	122.0 <sup>5</sup>	17.1x <sup>5</sup>
03/06/2022	Led Systems		Electronics			0.3					106.4	41.0 <sup>5</sup>	147.4 <sup>5</sup>	8.7 <sup>5</sup>	122.0 <sup>5</sup>	16.9x <sup>5</sup>
19/09/2022	Lackmästar'n i Häkantor <sup>4</sup>	100%	Heavy Machines	4.3	1.1	10.35	11%	neg.	0.4	21%	102.1	41.0 <sup>5</sup>	143.1 <sup>5</sup>	8.7 <sup>5</sup>	122.0 <sup>5</sup>	16.4x <sup>5</sup>

1) Financials based on LFY data. EV for target calculated as Acquisition price + LFY net debt and EV for Boreo calculated as market cap during the announcement + LFY net debt. Valuation multiples for both target and Boreo calculated as EV/LFY Sales or EBITDA.

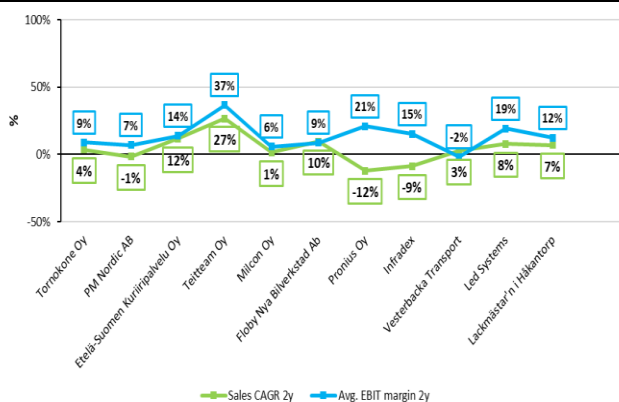
2) Later ownership increased to 100%. 3) Transaction ROCE = LFY EBIT / EV. EBIT adjusted for goodwill amortisations for Machinery. 4) Financials in SEK. 5) Sales, EBITDA and net debt 2021 adjusted for continuing operations

Source: Boreo, SEB, Refinitiv.

### Most companies Boreo has acquired have been profitable with modest growth and solid return on capital employed

Companies Boreo has acquired have been mainly growing and profitable in two years before the acquisition. This is illustrated in the charts below<sup>2</sup>. Most of the companies showed less than 10% growth per year before the acquisition, but were profitable, with the median company generating on average 12% EBIT margin in the two years before the acquisition (out of those companies where data is available). Acquired companies have had a strong ROCE, with the median being close to 40% two years before the acquisition, indicating a light capital structure. Most of the companies about which there is information had less than 20% NWC as a percentage of sales (median 9%) on average two years before the acquisition.

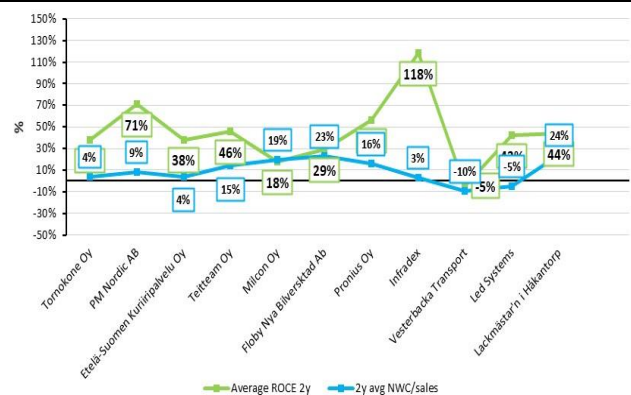
#### Boreo's acquired companies' growth and profitability<sup>1</sup>



1) Last two years before the acquisition

Source: SEB, Asiakastiето, Allabolag.

#### Boreo's acquired companies' NWC<sup>2</sup> and ROCE<sup>3</sup>



2) NWC for PM Nordic, Floby Nya Bilverksstad and Häkantor calculated as current assets – current liabilities

3) Capital employed for PM Nordic, Floby Nya Bilverksstad and Häkantor calculated as Total assets & liabilities – current liabilities

Source: SEB, Asiakastiето, Allabolag

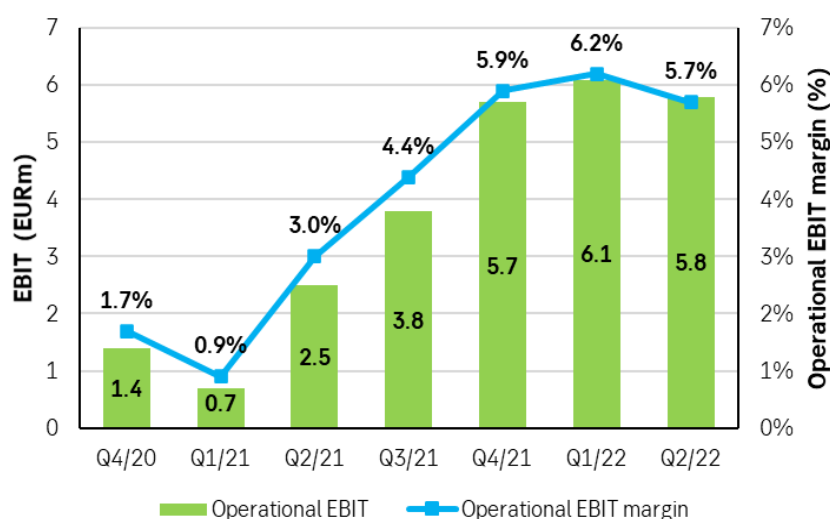
<sup>2</sup> Information about all of the acquisitions not available



### There is little evidence of Boreo's ability in developing acquired companies

Boreo's track record of developing companies is short. There is a limited amount of evidence about companies' performance after acquisition. Boreo has been able to improve the profitability of companies that have been part of the portfolio since 2020, with a clear positive trend. When we compare the financial performance of Tornokone and PM Nordic before and after acquisition, we see sales growth and return on capital employed improved after Boreo acquired the company. Tornokone was acquired by Machinery before joining Boreo, but we find it relevant to consider as we believe that Tornokone was important for Boreo when expanding into the heavy machines business in Sweden. The performance of portfolio companies clearly improved in 2021, as illustrated below. We find this promising and evidence of successful portfolio company development in the short term.

#### Operational EBIT of companies' part of the group before Q4/20<sup>1</sup>



1) Includes acquired business as if they had been owned for last 12 months and companies including Yleiselektroniikka, Machinery, Tornokone and Noretron Components

Source: Boreo, SEB.

#### Sample of Boreo's acquired companies pre- and post-acquisition<sup>1</sup>

	Date of acquisition	Before acquisition	After acquisition
<b>Tornokone (acquired by Machinery)</b>			
	06/06/2019	2016-2018	2019-2021
Sales growth		3%	4%
Avg. EBIT margin		9%	9%
Avg. ROCE		35%	47%
<b>Muottikolmio</b>			
	02/09/2020	2020	2021
Sales growth		-12%	-3%
EBITDA margin		21%	20%
Avg. ROCE <sup>2</sup>		22%	16%
<b>PM Nordic</b>			
	17/12/2020	2018-2020	2021
Sales growth		-7%	37%
EBIT margin		7%	6%
Avg. ROCE		23%	39%

1) Sales growth includes previous year sales as the base level.

2) Muottikolmio changed goodwill amortisation period from 20 years to 10 years as of October 2020, explaining notable part of decline in ROCE.

Source: Asiakastieto, Boreo.

**Boreo can create value by offering portfolio companies access to strategic sparring, support in business development resources and investments that the companies could not independently afford**

Smaller companies tend to have smaller operations and less resources for management and investment. We believe that by sparring with management strategically, streamlining operations and setting targets that are ambitious enough, Boreo has an opportunity to create value as an owner. Meanwhile, Boreo increases its portfolio companies' resources to invest, which can offer opportunities for growth – even though Boreo is looking primarily for companies with light business models and investment needs. Also, increasing the number of portfolio companies enhances the synergy opportunities.

**Increasing brand awareness is important for Boreo's new acquisitions**

Boreo has already been able to utilise its portfolio companies' contacts and capabilities in some acquisitions. We believe that success in this and increasing awareness of Boreo's brand as an owner is important when aiming to create value in the longer term. That could help Boreo to create a more committed team, make better acquisitions and lower the valuation level of the acquisitions, which is important for return on investments and shareholder value creation. For example, some international serial acquirers have earned a good reputation, which we believe has increased smaller companies' willingness to join them. This makes the process of finding suitable companies to acquire at a reasonable price easier.



# Portfolio overview

*This section is based on information from Boreo unless stated otherwise.*

**Boreo's portfolio consists of 16 brands divided into three business areas**

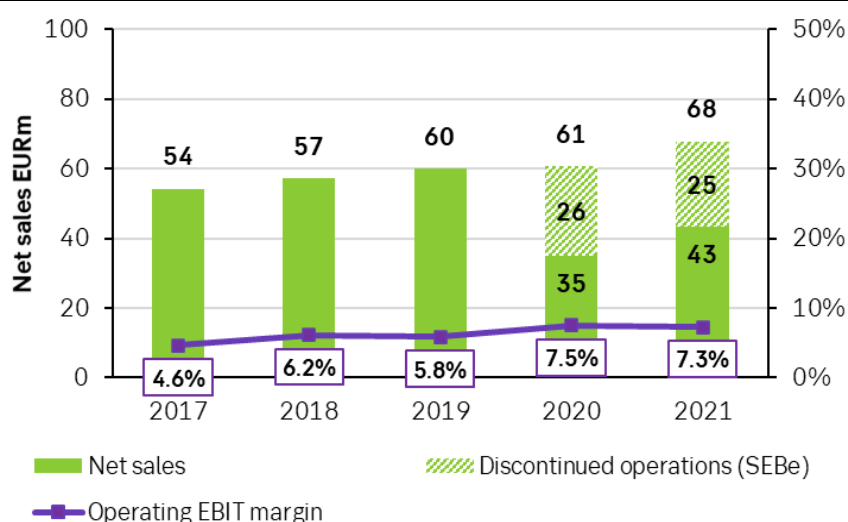
Boreo has a wide portfolio with 16 mostly independent brands divided into three different business areas as well as 'Other Operations' that include a few companies operating in the courier/transport services business. Despite the wide range of brands, two of these, Yleiselektronikka (YE International) and Machinery Group, still comprise the majority of sales according to our estimates.

## Electronics

**Electronics is the largest business area consisting of electronics distributor businesses**

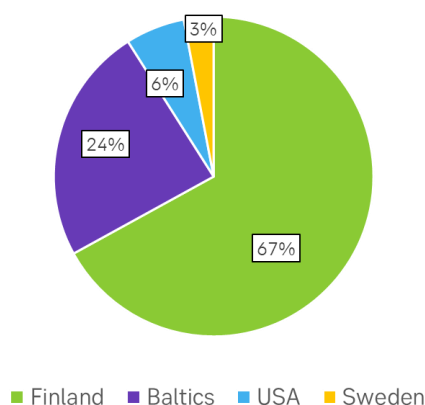
Electronics is the largest business area of Boreo, comprising 37% of Boreo's sales (continuing operations) as of Q1-Q3/22. The Electronics business area includes electronics distributor businesses with the following brands: Yleiselektronikka, YE International, Noretron Komponentit, Milcon, Infradex, and Signal Solutions Nordic. These companies operate in Finland, Sweden, Estonia, Latvia, Lithuania, Poland, and the US.

**Electronics: Sales and Operational EBIT margin (%)<sup>1</sup>**



<sup>1)</sup> Discontinued operations covered approximately 36% of Electronics business area sales according to SEB estimates in 2021

Source: Boreo, SEB

**Electronics: Geographic sales split by as of 2021<sup>1</sup>**

1) Pro forma adjusted for continuing operations

Source: Boreo.

**Yleiselektroniikka is a Finnish electronics and technology wholesaler and importer**

**Yleiselektroniikka**

Yleiselektroniikka is a Finnish electronics and technology wholesaler and importer operating in Finland. In addition to its Finnish business, Yleiselektroniikka has independent international subsidiaries under the brand YE International, operating in Estonia, Latvia, and Lithuania. The company offers products and advisory services in three different divisions: YE Components, YE Measurements and RS-Finland. The company does not manufacture products; it thus focuses only on the wholesale and distribution of the products manufactured by brands Yleiselektroniikka represents. Yleiselektroniikka was renamed as Boreo after making a strategic shift and completing the acquisition of Machinery Group. The former Yleiselektroniikka business was left as the base of one of the three business areas of Boreo.

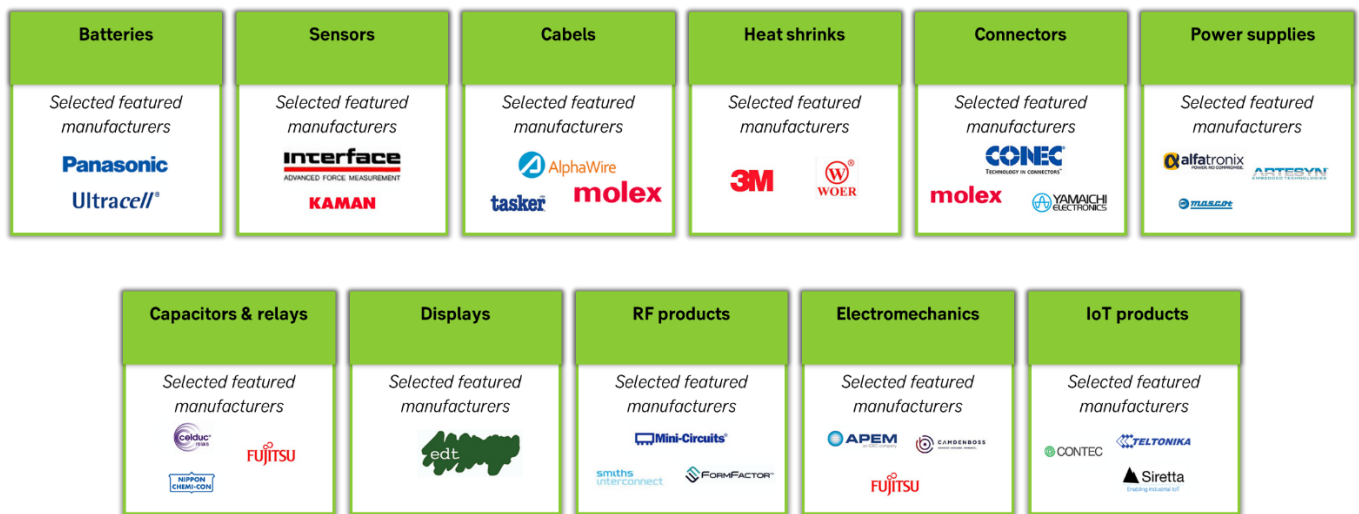
**Yleiselektroniikka is divided into three business areas and offers products in five categories**

Yleiselektroniikka offers products in five categories: IT & Multimedia, Electronics, Production Technology, Measurement & Testing, and Tools, and advisory services in six categories: Electromechanics, Cables, Connector Technology, Measurement & Testing, RF & IoT & Screens, and Power Input. In addition, the company offers storage services. Yleiselektroniikka supplies its products to companies operating in areas such as medical, telecom equipment, audio, capital goods or other manufacturing industries.

**YE Components offers products and services in industrial components**

YE Components offers advisory services and products in industrial components. The advisory services include planning support, where Yleiselektroniikka helps customers in the planning of the project to find the most suitable components and products for their needs within the broad portfolio. These services help the customers to save time, find the most suitable components without wasting time searching, and secure delivery and availability of replacement products. The company has an extensive sourcing network that it can utilise to help its clients currently struggling with component availability. We believe the advisory services help to make the customer relationships sticky, even though customers do not tend to commit to large orders in the future. Products are offered in 11 categories from 43 manufacturers, such as Molex, 3M, and Fujitsu.

## YE Components: Selected featured manufacturers



Source: Yleiselektroniikka, company websites

## Benefits of using YE's product design services



Source: Yleiselektroniikka, SEB

## Measurements business area offers measurement and testing devices and trainings

The Measurements division offers measurement and testing devices for manufacturing, industrial development and production, and for electronic testing and measuring. The brand portfolio includes measurement device manufacturers such as Chroma, FLIR and Fluke. Yleiselektroniikka helps its customers to find suitable measurement devices by offering demo devices, training and advisory in terms of suitability for the purpose and suitable connectors.

## YE Measurements: featured manufacturers



Source: Yleiselektroniikka

**RS-Finland is an online store for electrical components offering products from an electronics and maintenance product distributor RS**

RS is one of the world's largest electronics distributors and RS-Finland represents it in Finland. RS Finland offers a large catalogue of electrical components in an online store with rapid – under two-day – delivery times. Yleiselektroniikka uses the warehousing and logistics capabilities of RS in the UK, expanding RS Finland's distribution capabilities. RS-Finland offers some 500,000 products including brands such as 3M, Siemens, Omron and Schneider Electric. Like the rest of Yleiselektroniikka, RS's customers are companies and not private individuals.

**Boreo sold its Russian ZAO YE-international subsidiary in Q3 2022**

Yleiselektroniikka communicated its intention to exit the Russian operations after the war with Ukraine started in spring 2022. The company exited the Russian market and sold its Russian subsidiary during Q3 2022, which had a big impact on sales: we estimate that Yleiselektroniikka's discontinued operations covered about 36% of Boreo's Electronics business area sales in 2021.

**Yleiselektroniikka's competitive strengths are its strong brand portfolio, good customer relationships, and strong local position**

We believe that the competitive strengths of Yleiselektroniikka are its strong brand portfolio – which combined with advisory services provide additional value for clients and make customer relationships more longstanding – and its strong local position in its market in Finland. Many of its competitors offer mainly catalogue sales, so Yleiselektroniikka's can differentiate itself with its advisory services. Yleiselektroniikka also has extensive and trustworthy client portfolios across different industries. For example, Yleiselektroniikka supplied components for Škoda Transtech in Tampere's tram project.

**Yleiselektroniikka has sharpened its strategy to grow**

Yleiselektroniikka aims to grow organically. The company has been sharpening its focus to cut less relevant brands, whilst keeping a wide portfolio, and giving up consumer sales while emphasizing the advisory services where the company has expertise in each product category. Alongside this is RS Finland sales.

**Typical organic growth is in single-digit percentages with mid-single-digit EBIT margins according to our estimates**

Yleiselektroniikka supplies its products to, e.g., automation and medical industries that we believe will be important for future growth. In recent years, we estimate Yleiselektroniikka has typically generated organic growth in single digit percentages with mid-single-digit EBIT margins. We believe that Yleiselektroniikka was able to improve its profitability from 2020 to 2021 with the support of actions to improve efficiency.

**Yleiselektroniikka's market worth hundreds of millions of euros in Finland alone: global competitors include Avnet, Mouser and Digi-Key...**

Yleiselektroniikka's target market is huge, being worth hundreds of millions of euros in Finland alone, based on our understanding. Many of its main competitors are global, with examples including, Avnet, an American company offering electronics distribution services, Mouser Electronics, a global semiconductor and electronic component distributor, and Digi-Key, a private American company distributing electronic components according to our understanding. There is also OEM Finland, the Finnish subsidiary of Swedish OEM International. Local competitors include Ahlsell and SLO, which are less advisory focused.

**...while smaller competitors include Perel As, ESD and Partco**

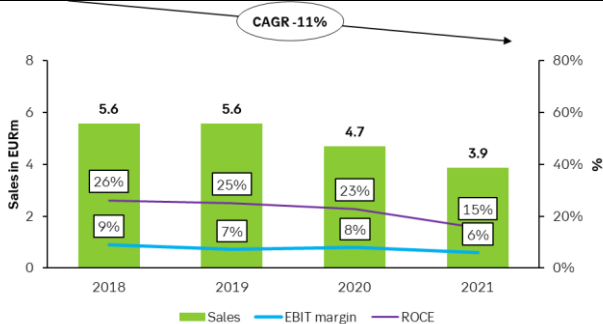
Smaller competitors include Perel. As an Estonian industrial electronics component and measuring device enterprise; ESD, a materials and equipment wholesaler; and the Finnish company Partco, an electronics wholesaler operating both online and in-store in Finland.

**Noretron Components is an AV accessory, equipment case, and electromechanical component importer and wholesaler**

**Noretron Components**

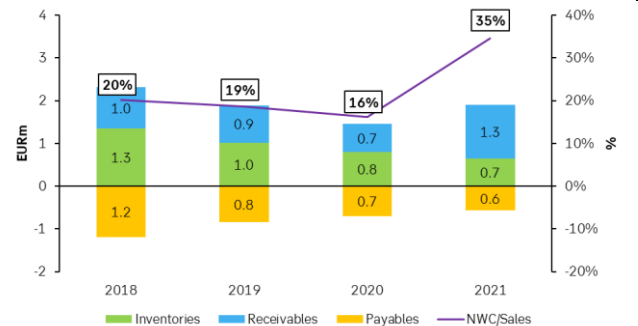
Noretron Components is a Finnish AV accessory, equipment case, and electromechanical component importer and wholesaler established in 1995 employing five people as of 2021. The acquisition of Noretron Components by Boreo was completed in 2017 and it currently operates as an independent subsidiary of Yleiselektronikka, expanding Yleiselektronikka product offering. Noretron Components' annual sales have been around EUR 4-6m in recent years. We note that the financial performance of Noretron Components had a negative trend in 2018-2021.

**Noretron Components: Financial performance (EURm)**



Source: Asiakastiето

**Noretron Komponentit: Net working capital (EURm)**



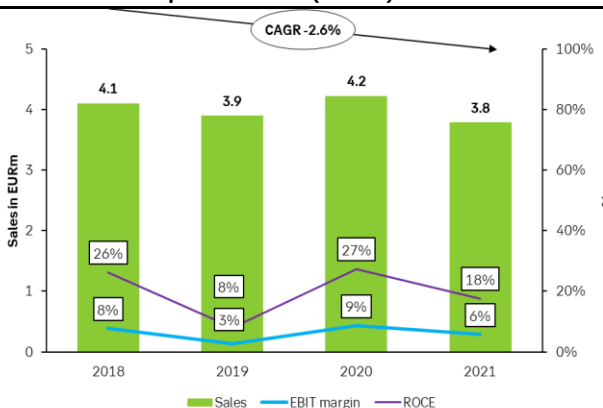
Source: Asiakastiето

**Milcon is an electro-technical products and systems wholesaler, designer, manufacturer and importer specialising in the military and other harsh environments**

**Milcon**

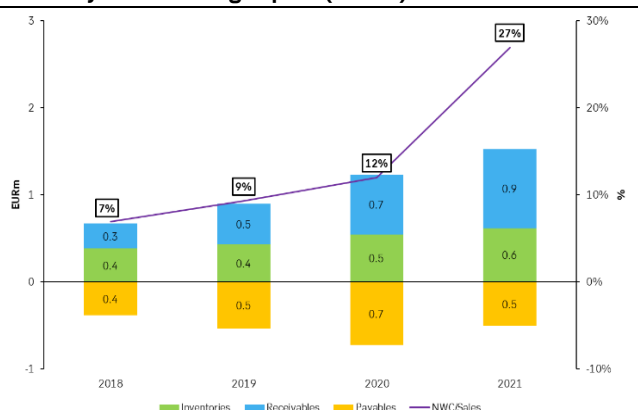
Milcon is a Finnish company that specialises in the wholesale, design, manufacturing and importing of electrotechnical products and systems for defence and other harsh environments. The company was established in 2003 in Tampere, Finland, and currently operates in Pirkkala, Finland. Milcon offers a wide range of products in six categories: connectors, cables and wires, wiring harness products, antennae and power supply, special spare parts and components, and fibre optics. The company employs 15 people. The acquisition of Milcon by Boreo was completed in 2021. According to our understanding, decline in financial performance in 2021 is mainly related to non-operational item.

**Milcon: Financial performance (EURm)**



Source: Asiakastiето

**Milcon Oy: Net working capital (EURm)**



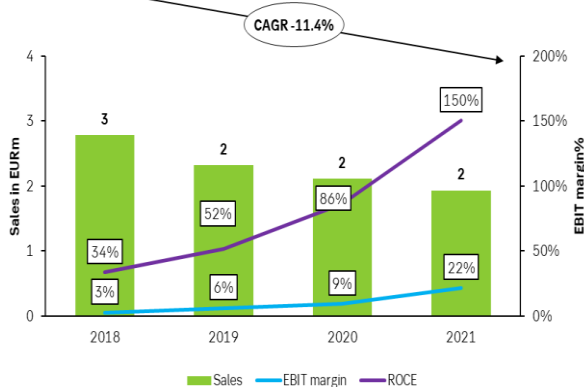
Source: Asiakastiето

**Infradex is a thermal imaging systems importer for infrastructure and industrial projects**

**Infradex**

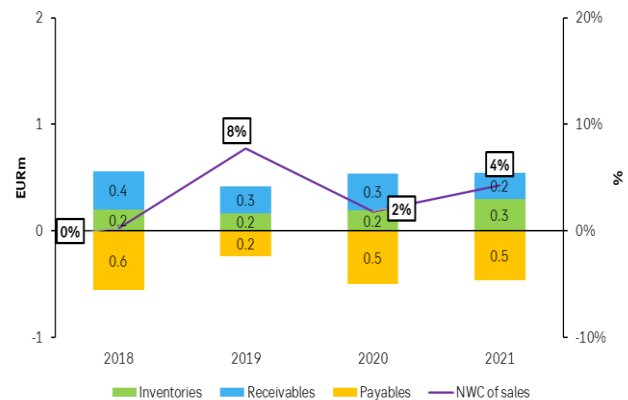
Infradex imports thermal imaging systems used in infrastructure and industrial projects. Established in 1987 and based in Vantaa, Finland, Infradex also offers maintenance and calibration of imaging systems and training for thermal and infrared technology. Training is offered online, on site and at Infradex's own training centre. The company provides products in six categories: thermal cameras, Tiivius measuring devices, FLIR measuring devices, Extech measuring devices, sound cameras, and electro-optic measuring devices. The company's sales have decreased in recent years, but its EBIT margins have increased. Historical sales include business that was ceased before Boreo acquired Infradex. Boreo's acquisition of Infradex was completed in 2022.

**Infradex: Financial performance (EURm)**



Source: Asiakastiето

**Infradex: Net working capital (EURm)**



Source: Asiakastiето

**Signal Solutions Nordic is a wholesaler of fibre optics and EM products**

**Signal Solutions Nordic**

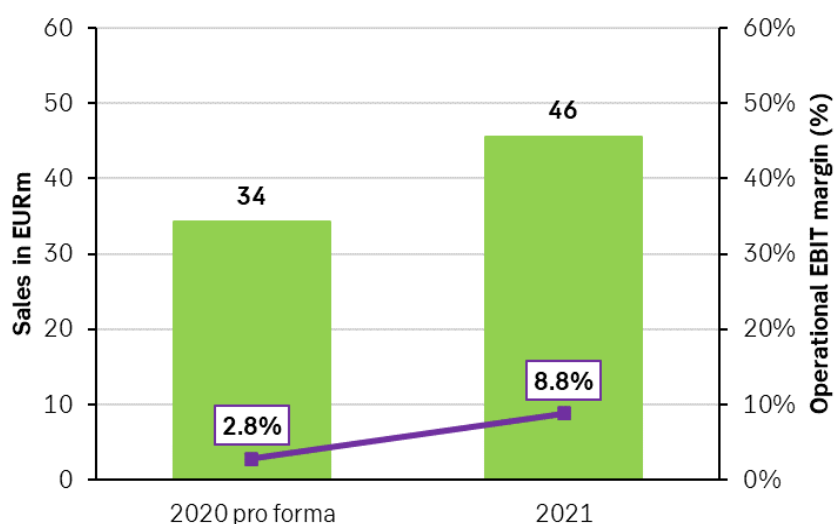
Signal Solutions Nordic is a Finnish wholesale company headquartered in Finland, offering a wide range of off-the-self instruments, systems and components related to fibre optics and EM (electromagnetic compatibility). The company also offers sourcing, expert consulting, and customised end-to-end systems for delivering smart solutions. It has products in four categories: RF/Microwave Components & Cables, RF/MW and DC Instruments & Systems, Fibre Optics, and EMC & Shielding. Outside Finland, the company operates in Sweden (Signal Solutions Nordic AB), Poland (Signal Solutions Poland) and the US (Signal Solutions USA LLC). The company generated EUR 13m sales and EUR 1.1m EBITDA in 2021 (including 51% owned US and Swedish subsidiaries but excluding the 50% owned Polish subsidiary that generated EUR 4.2m sales and 1.3m EBITDA in 2021). According to our understanding, the financial development of SSN has been positive recently. The acquisition of Signal Solutions Nordic to Boreo was completed in 2022.

## Technical Trade

**Technical Trade, Boreo's second-largest business area, is active in the fields of power, metal machining, construction and welding**

Technical Trade is Boreo's second largest business area, covering around 32% of Boreo's continuous operations sales as of Q1-Q3 2022. Technical Trade comprises a wide range of suppliers in the fields of power generation, metal machining, construction, and welding. The companies in Technical Trade are Machinery<sup>3</sup>, Muottikolmio, and Pronius. The companies in the business area, for example, supply products to capital goods and construction industries.

**Technical Trade: Sales and operational EBIT margin (%)<sup>1</sup>**



1) 2020 sales adjusted for current organisational structure. Pro forma Machinery sales in 2020 were EUR 43m and operational EBIT margin 4%. Muottikolmio consolidated as of 1 October 2020 and not included in pro forma calculation.

Source: Boreo

**Machinery is a Finnish wholesaler and importer of construction machines established in 1911**

### Machinery

Machinery is a Finnish wholesaler and importer of construction machinery established in 1911 operating in Vantaa, Finland. Machinery's offering consists of machinery and tools as well as solutions for e.g., industrial machines, metal machines, and the construction industry. Machinery also offers maintenance and installation services. The acquisition of Machinery by Boreo was completed in 2020 and resulted in a major shift in Boreo's operations. Before the acquisition, Machinery Oy generated EUR 44m sales in 2019.

**Machinery serves small to large corporate clients in the capital goods and construction industries**

Machinery serves small to large corporate clients in the fields of capital goods and construction in both the private and public sectors. The company offers products and services in three divisions: Metal Machines, Construction, and Power.

**Power offers engines, generators, compressors, and fire water pumps**

The Power division offers engines, generators, compressors, and fire water pumps. The largest brand that the Machinery business represents in the divisions is the American engine manufacturer Cummins, which represents a significant part of business area sales. According to Boreo, Cummins's engines and sea generators have market share of around 10-20% in Finland. Other significant brands include Doosan, Kubota, Ferbo, and Allison Transmissions. Machinery also offers spare parts and maintenance and repair services, both at its own site and at clients' sites if needed. It services Cummins and Kubota diesel engines, Allison transmission systems, and generators.

<sup>3</sup> Part of Machinery reported in Heavy Machines business area

### Examples of brands and products represented in Machinery's Engines and Generators area

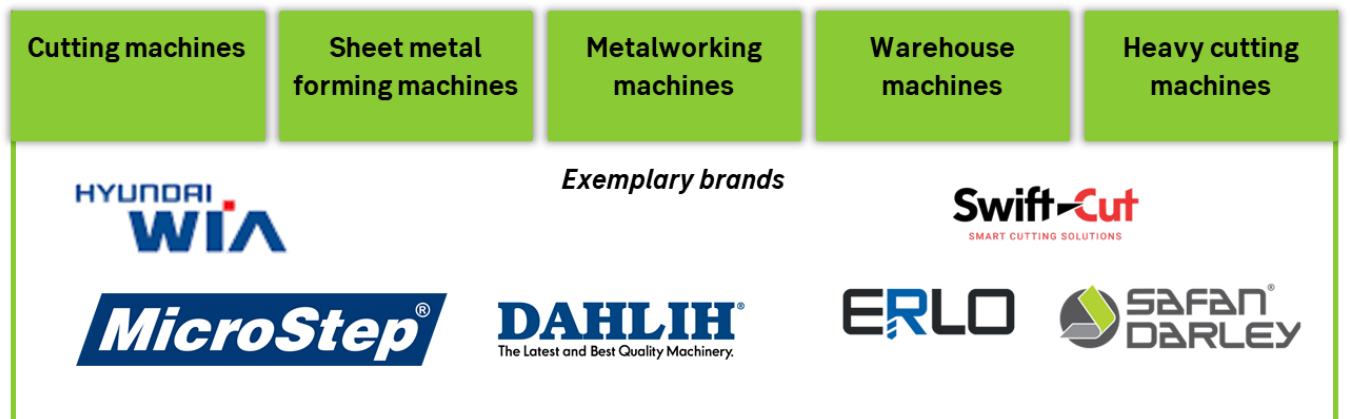


Source: Machinery, SEB, company websites

### Metal Machines offers new and used metal work machinery, maintenance, and services

Metal Machines is a division that offers customers metalwork machinery, maintenance, and service in six categories: cutting machines, sheet metal forming machines, sheet metal machines, new warehouse machines, heavy cutting machines & used metalworking machines, and machining maintenance. The division also offers technical support as well as training for the machines. Machinery also offers a comprehensive set of services during the lifetime of the machines, including installation, training, maintenance, repairs, technical support, reporting and spare parts and add-on machines.

### Examples of brands and products represented in Machinery's Metalworking area



Source: Machinery, SEB, company websites

### Construction division sells and services construction machines

The Construction division offers construction machines in 13 categories including pumps, drying, and heating equipment, site equipment and lighting, concrete casting equipment and steel brushing machines. Machinery also offers a comprehensive range of spare parts, maintenance and repair services related to the machines. It also has a network of contract maintenance partners that are supplied by Machinery and that the customers can utilise.



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**Examples of brands represented in Machinery's construction area**


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Source: Machinery, SEB, company websites

**Machinery's competitive strengths are its strong brand portfolio, wide range of international clients, and its advisory business**

Machinery has a strong brand portfolio with some global leading manufacturers represented. Machinery delivers its products to industrial and construction companies of different sizes, including both smaller and large listed companies. We see this as proof of reliability, but deliveries to cyclical end-user industries make Machinery's business somewhat cyclical. On the other hand, Machinery has comprehensive spare parts and service offering. The company has been expanding its aftermarket services, as exemplified by the recent acquisition of GT Motor. GT Motor is an engine service provider offering for example, engine repairs and assembling of the engines. The acquisition widens Machinery's service offering and thus helps in making client relationships closer.

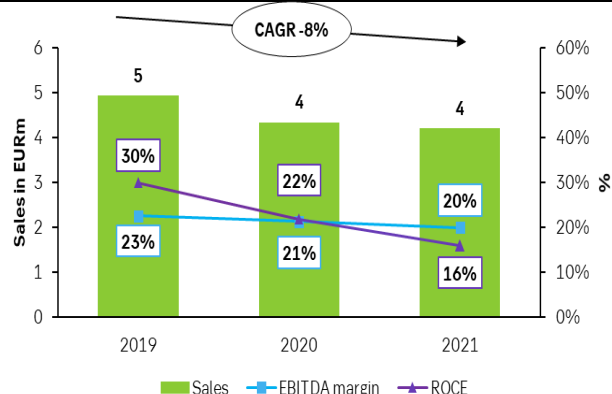
**Machinery's competitors are both OEM and distributor/machine rental companies**

Machinery's competitors consist of both OEM and distributor companies. According to our understanding, the competitors are a mix of global and Finnish companies. The global competitors include, for example, OEM manufacturers; Caterpillar, an American construction equipment manufacturer; and Volvo, a Swedish vehicle maker. The larger Finnish competitors include, for example, Renta and Cramo, equipment rental businesses, and industrial and trade conglomerate Wihuri. Most of the companies compete in only a few sub-segments with Machinery according to our understanding.

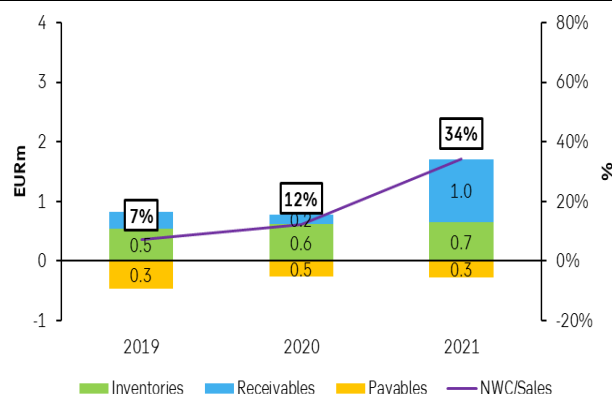
**Muottikolmio is a construction material distributor; it also offers advisory services**

**Muottikolmio**

Muottikolmio was founded in 1990 and is headquartered in Vantaa, Finland. The company distributes construction materials and products related to concrete and repair construction in particular. Product categories include construction, infrastructure, precast factory and tunnel and mining construction. Muottikolmio distributes products from 16 brands and offers advisory services related to the products. Muottikolmio has a storage space in Vantaa but delivers products to all parts of Finland. The advisory services are offered from the headquarters as well as on-site. The acquisition of Muottikolmio by Boreo was completed in 2020. The company changed its goodwill amortisation period from 20 years to 10 years as of October 2020, explaining much of the decline in ROCE.

**Muottikolmio Oy: Financial performance (EURm)**

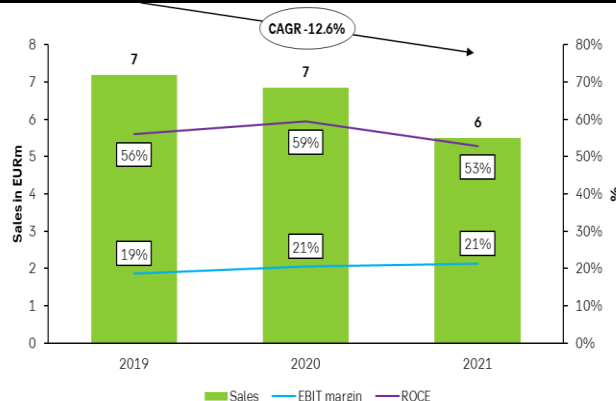
Source: Asiakastieto

**Muottikolmio Oy: Net working capital (EURm)**

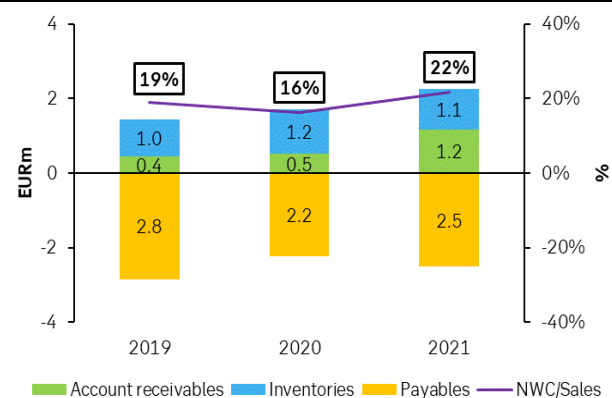
Source: Asiakastieto

**Pronius imports Fronius welding equipment and accessories****Pronius**

Pronius is a Finnish importer of Fronius welding equipment and accessories founded in 2009 and operating in Pirkkala, Finland. Pronius offers delivery of its products to all parts in Finland. Pronius also offers virtual welding training simulators, equipment training, and equipment maintenance. The acquisition of Pronius by Boreo was completed in 2022.

**Pronius: Financial performance (EURm)**

Source: Asiakastieto

**Pronius: Net working capital (EURm)**

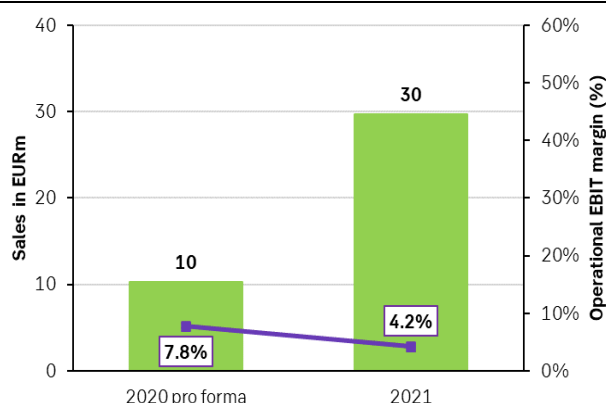
Source: Asiakastieto

## Heavy Machines

**Heavy Machines imports and sells new machines; it sells used machines and has aftermarket services**

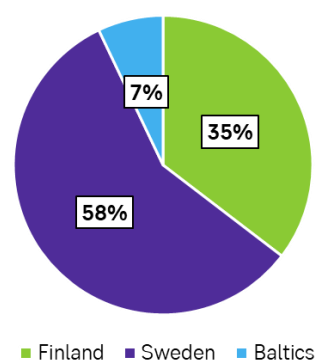
Heavy Machines is around the same size as Technical Trade and represents around 28% of Boreo's continuing operations sales (as of Q1-Q3/22). The business area includes companies that import and sell new machines, sell used machines, and offer aftermarket services in Finland, Estonia, and Sweden. The companies in the business area are Sany Nordic, PM Nordic, HM Nordic, Tornokone, Floby Nya Bilverkstad, and Lackmästar'n i Håkantorp. Companies in the business area serve both large companies and SMEs for example in construction, forestry, and mining industries.

**Heavy Machines: Sales and operational EBIT margin**



Source: Boreo

**Heavy Machines: Geographic sales split as of Q3/22**



Source: Boreo

**Sany Nordic distributes Sany heavy machines in Sweden**

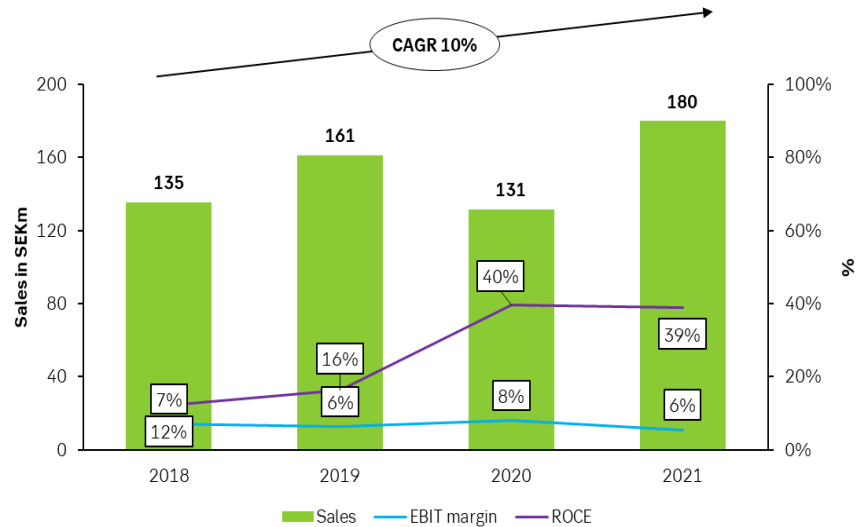
### Sany Nordic

Sany Nordic distributes Sany heavy machines in Sweden, similar to Tornokone in Finland. Sany Nordic sells 15 different types of Sany excavators and one type of canning machine. The company offers excavators with high-quality components from, for example, Cummins, Yanmar, and Kawasaki. The acquisition of Sany Nordic by Boreo was completed in 2021.

**PM Nordic is a Swedish Putzmeister's pump distributor and wholesaler**

### PM Nordic

PM Nordic is a Swedish distributor of Putzmeister pumps that was established in 1979. The company claims to have 60% of the Swedish concrete pump market. PM Nordic offers machines with combustion or hybrid engines and training in their usage. PM Nordic also offers rental machinery, but we understand that this is only small part of its sales. PM Nordic and Sany Nordic collaborate in sales of concrete pumps and Sany excavators. Boreo's portfolio Tornokone company operates in the same business in Finland.

**PM Nordic AB: Financial performance (SEKm)\***

\*ROCE = EBIT/(Total assets - current liabilities)

Source: Allabolag.se, SEB.

**HM Nordic is an Estonian distributor of Putzmeister and Sany machines established by Boreo.**

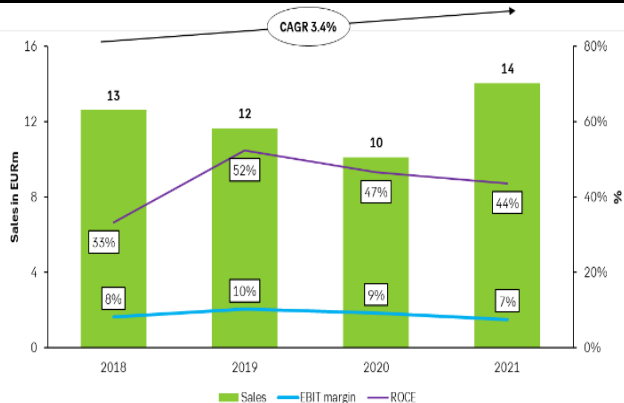
**HM Nordic**

HM Nordic is an Estonian distributor of Putzmeister and Sany machinery established in 2021. The company was founded by Boreo in order to move the distribution business of Putzmeister and Sany machines out of YE international.

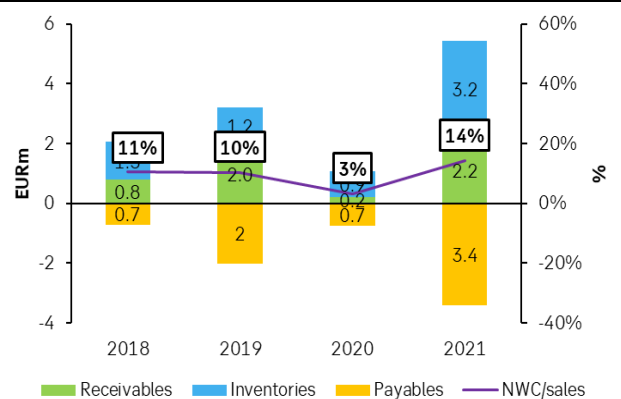
**Tornokone is a Finnish distributor of Putzmeister and Liebherr pumps**

**Tornokone**

Tornokone Oy is a Finnish distributor of Putzmeister and Liebherr pumps that was established in 1983. The company is headquartered in Vantaa. It offers two types of Putzmeister pumps: concrete and mortar. It also offers processing equipment, transport equipment, spare parts, and maintenance. Tornokone Oy was acquired by Machinery Group Oy in 2019, and both Tornokone Oy and Machinery were acquired by Boreo in 2020.

**Tornokone: Financial performance (EURm)**

Source: Asiakastiето

**Tornokone: Net working capital (EURm)**

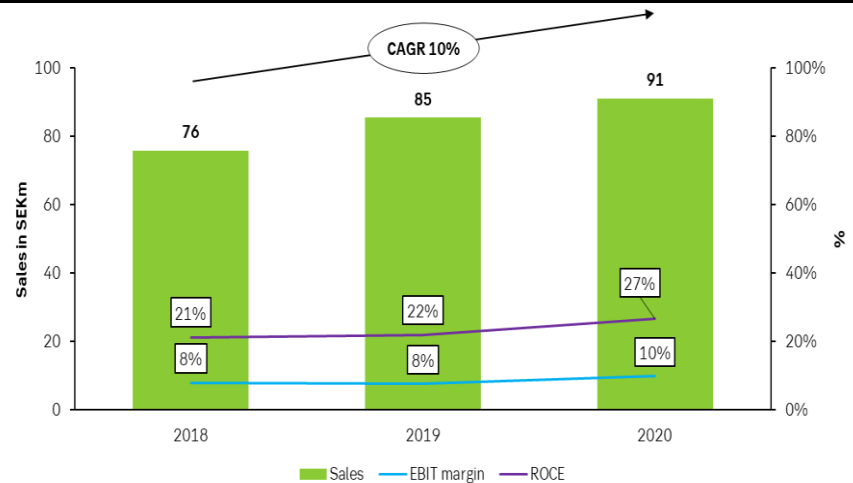
Source: Asiakastiето

**Floby Nya Bilverkstad AB (FNB) is a Swedish distributor of trucks, stationary cranes and sea cranes**

### Floby Nya Bilverkstad

Floby Nya Bilverkstad AB (FNB) is a Swedish builder of timber trucks with cranes as well as a distributor of stationary cranes and sea cranes established in 1967. The company specialises in HIAB, Palfinger, Jonsered and Loglift V-cranes. The company also sells controls, scales, control cabins and passenger baskets. FNB sells both new and used machines and offers spares and repairs. FNB supplies its products to segments including cargo, industrial and forestry. The acquisition of Floby Nya Bilverkstad by Boreo was completed in 2021

#### Floby Nya Bilverkstad AB: Financial performance (SEKm)



$$ROCE = EBIT / (Total\ assets - current\ liabilities)$$

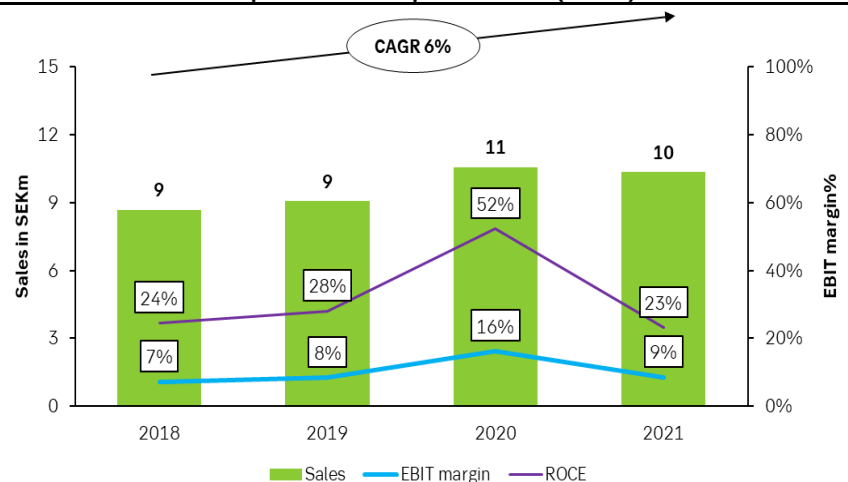
Source: Allabolag.se, SEB

**Lackmästar'n i Håkantorpe is a Swedish paint shop focusing on blasting and painting of heavy vehicles**

### Lackmästar'n i Håkantorpe AB

Lackmästar'n i Håkantorpe AB (Håkantorpe) is a Swedish specialized paint shop focusing on the blasting and painting of heavy vehicles for dealers and hauliers. The company mainly works on new trucks coming straight from the factory, but it also paints used trucks. Because Floby Nya Bilverkstad already uses Lackmästar'n's services, the acquisition increases vertical integration within the Boreo group. Håkantorpe also cooperates with insurance companies, painting damaged trucks. The company employs nine people of whom six are responsible for the painting and blasting. The acquisition of Lackmästar'n i Håkantorpe AB to FNB was completed in 2022.

#### Lackmästar'n i Håkantorpe AB: Financial performance (SEKm)



$$ROCE = EBIT / (Total\ assets - current\ liabilities)$$

Source: Boreo, Lackmästar'n i Håkantorpe AB, SEB, Allabolag

## Other Operations

### Other operations offer logistics and courier services

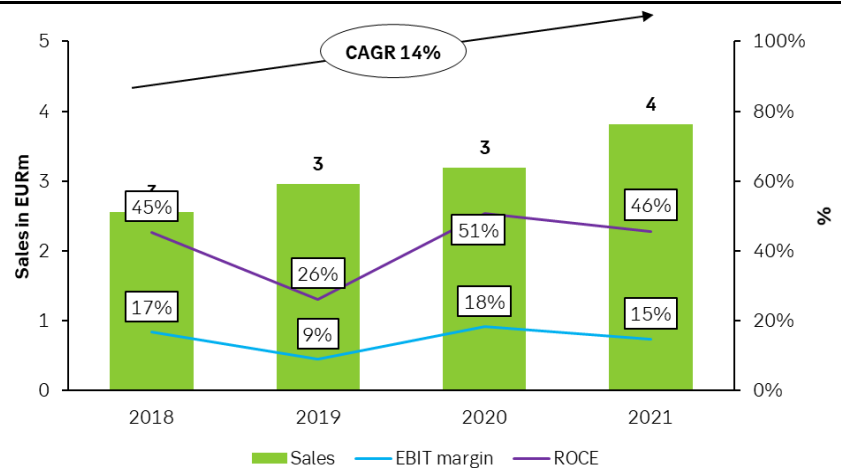
Other operations consist of logistics and courier services and includes Etelä-Suomen Kuriiripalvelu, and Vesterbacka Transport, which operate in Finland and the Baltics.

### ESKP offers scheduled transport services

#### Etelä-Suomen Kuriiripalvelu (ESKP)

Etelä-Suomen Kuriiripalvelu specialises in scheduled transport and was established in 2010. The company offers transport services all over Finland as well as between Helsinki, Estonia, and Riga. ESKP has 15 vehicles, which are equipped with real-time information systems. Teitteam, a transportation services company previously owned by the same former owner of ESKP, was acquired together with ESKP by Boreo, and Teitteam is now part of ESKP. Both companies were acquired by Boreo in 2021. The companies combined employ 25 people and operate in Tuusula, Finland.

#### Etelä-Suomen Kuriiripalvelu Oy: Financial performance (EURm)<sup>1</sup>



<sup>1</sup>) Teitteam Oy numbers not included

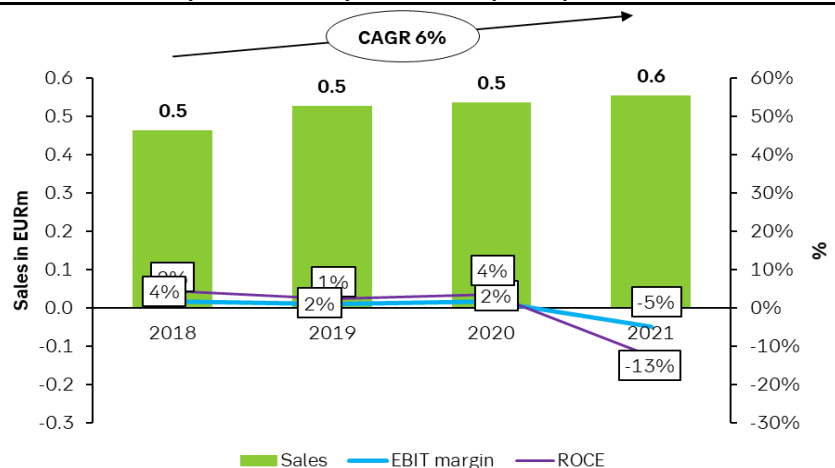
Source: Boreo, Asiakastieto, SEB.

### Vesterbacka Transport offers transportation services

#### Vesterbacka Transport

Vesterbacka Transport offers transportation services and was established in 2001. The company operates from Vantaa, Finland. Its acquisition by ESKP was completed in 2022.

#### Vesterbacka Transport: Financial performance (EURm)



$ROCE = EBIT / (Equity + non-current liabilities)$

Source: Boreo, Vesterbacka Transport, SEB

# Boreo's market environment

*This section is based on SEB analysis, unless stated otherwise.*

## End-market exposure and dynamics

**Boreo operates in several markets, segments, and sub-segments, and is present in Finland, Sweden, and the Baltics**

Boreo's largest exposures are to electronics, the technical trade, heavy machines, and courier services. However, this may change as it expands via acquisitions. Boreo's largest exposure is to Finland but is also present in Sweden and the Baltic countries. In Finland, there are about 27,000 companies generating EUR 1-50m sales in their latest fiscal year, generating an aggregate EUR 150bn in revenues, according to Valu8. Naturally, most of these are not addressable by Boreo, but the market should be large enough for serial acquirer strategy.

Examples of end-user markets that affect Boreo are illustrated below. Electronics is driven by end-user industries such as telecom equipment, medical, capital goods and electronics manufacturing. Capital goods is also important for Technical Trade, (Machinery's metal working business and Pronius) as well as and construction is relevant for Muottikolmio and Machinery. Also, the mining industry is important for Machinery. Companies in the Heavy Machines Business Area are dependent mainly on construction, but also the forestry (Floby Nya Bilverkstad) and mining industries.

### Examples of end-user industries driving growth in Boreo's markets

	Electronics	Technical Trade	Heavy Machines
<i>Exemplary end-user industries</i>	<ul style="list-style-type: none"> <li>• Telecom equipment</li> <li>• Defence</li> <li>• Medical</li> <li>• Capital goods</li> </ul>	<ul style="list-style-type: none"> <li>• Construction</li> <li>• Mining</li> <li>• Defence</li> </ul>	<ul style="list-style-type: none"> <li>• Construction</li> <li>• Capital goods</li> <li>• Forestry</li> <li>• Mining</li> </ul>

Source: SEB, Boreo

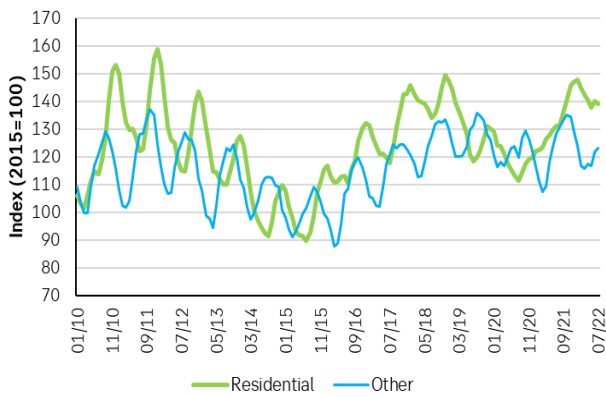
## End-markets by segment

**Boreo is affected by the slowdown of the construction market**

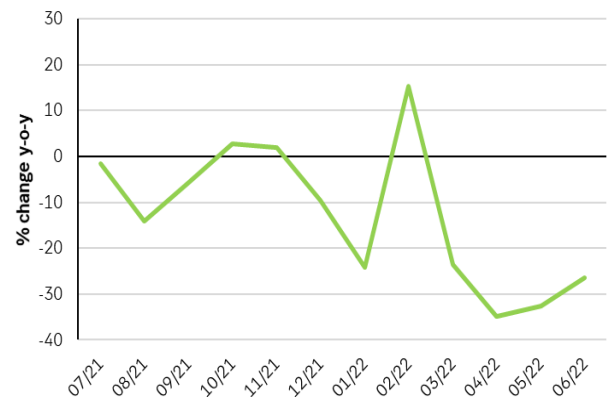
### Construction

Boreo's construction exposure is mainly to commercial property and infrastructure, both of which are slowing down: building permissions have diminished notably in Finland and construction volumes are falling, whilst costs are rising. In Finland since the start of 2021, construction costs for Infrastructure are up 20% and for other construction by 15%. However, both segments are more resilient than residential construction, in our view, where Boreo has a smaller exposure.

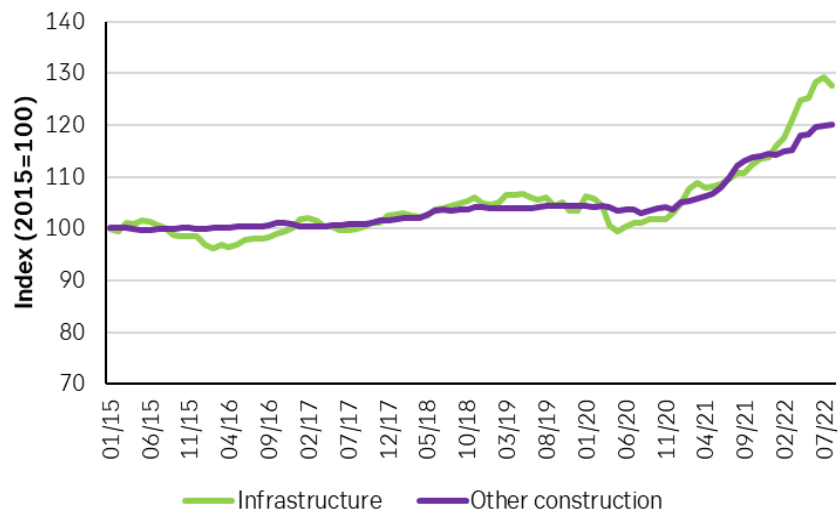
In Sweden, construction permissions have not fallen notably, although the number of new dwellings under construction is lower than at the end of 2021 levels.

**Construction volumes in Finland**

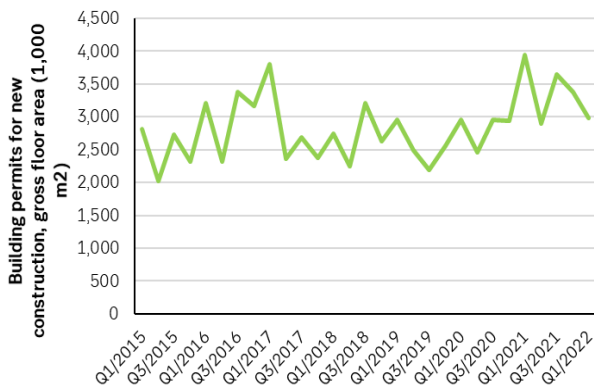
Source: Statistics Finland

**Change in construction permissions in Finland**

Source: Statistics Finland

**Construction costs in Finland**

Source: Statistics Finland

**Authorised building permits in Sweden, all buildings**

Source: Statistics Sweden

**Started new dwellings under construction in Sweden**

Source: Statistics Sweden

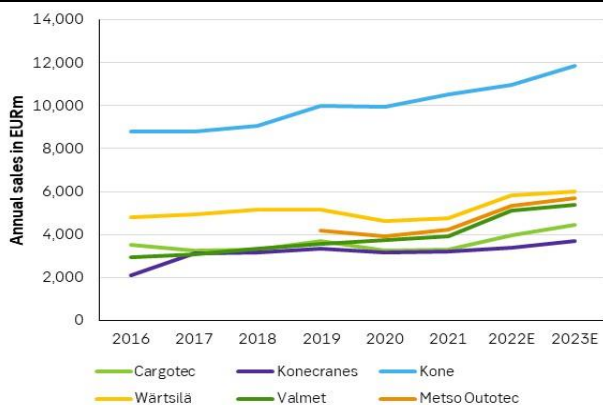


### Capital goods companies have had high order books, but orders are likely to slow

#### Capital goods

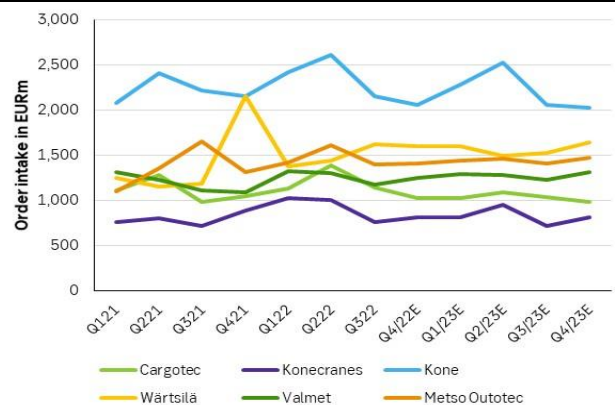
Capital goods companies have had very high order books, but global availability issues have restricted their ability to deliver. For example, sales growth from the notable order intake expansion enjoyed by several large capital goods companies only started to turn up in 2022 and sales are widely expected to continue to grow in 2023. However, development is likely to slow with European PMI indices falling below 50. For example, q-o-q development in order intake of Finnish large capital goods companies (not related to Boreo) has already turned, or is widely expected to turn, slightly negative. Sales growth is supported by the widespread rise in inflation. On the other hand, steel prices have fallen, which eases inflationary pressure on industry.

**Annual sales development of sample of Finnish capital goods companies (illustrative, not related to Boreo)**



Source: Company websites, SEB as of 5.11.2022

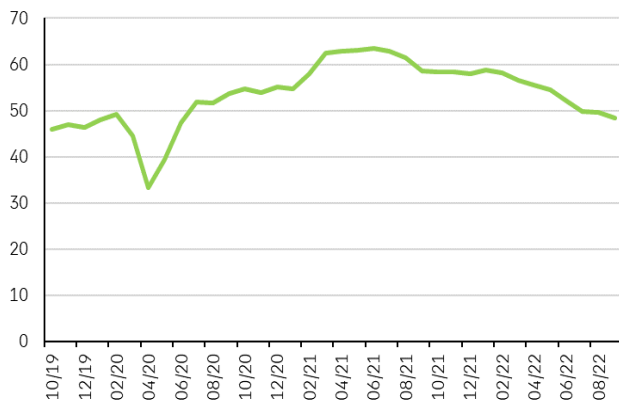
**Quarterly order intake development of sample of capital goods companies (illustrative, not related to Boreo)**



Source: Company websites, SEB as of 5.11.2022

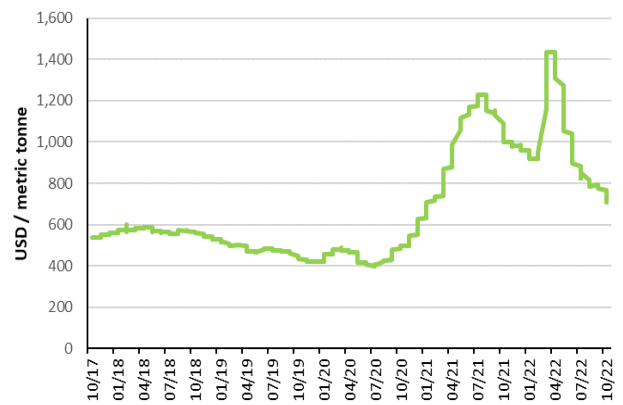
Longer-term factors for the capital goods market include near-shoring as companies respond to the supply chain disruption brought about by the pandemic and by Russia's invasion of Ukraine, and the transition from conventional engines to hybrid or electric ones.

**Eurozone Manufacturing PMI SA index**



Source: Bloomberg

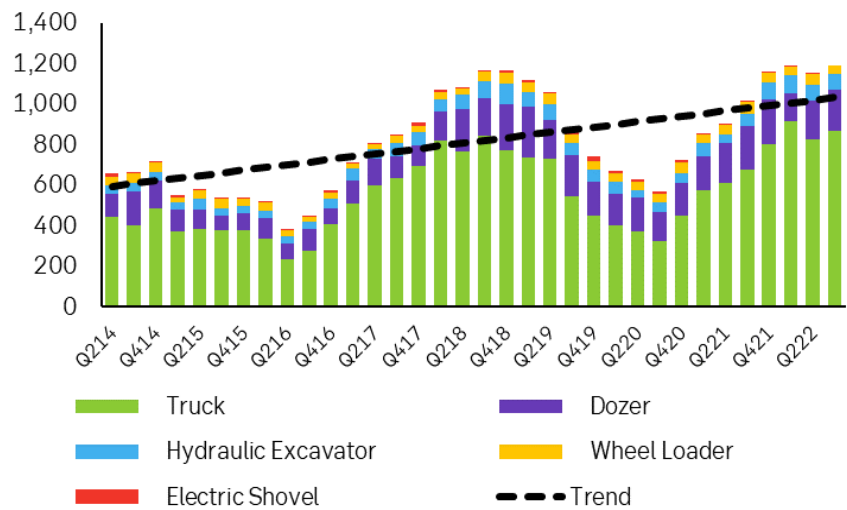
**Northern Europe Steel Hot Rolled Coil (HRC) Spot Ex-Works**



Source: Bloomberg

### Mining equipment shipments have stabilised during 2022

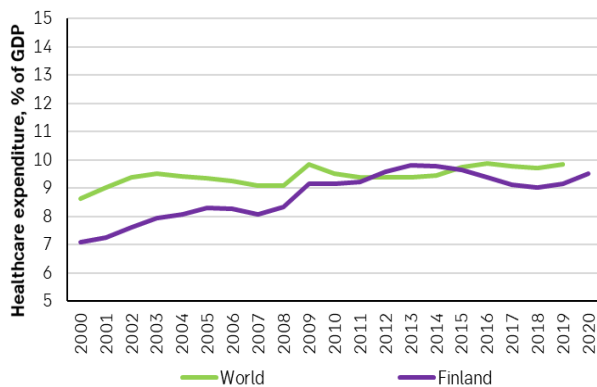
Mining equipment shipments recovered significantly in 2021 and have stabilised in 2022. In the period 2014-21 equipment deliveries increased at a CAGR of 5%. Mining investments are supported by electrification.

**Mining equipment shipments by product (units)**

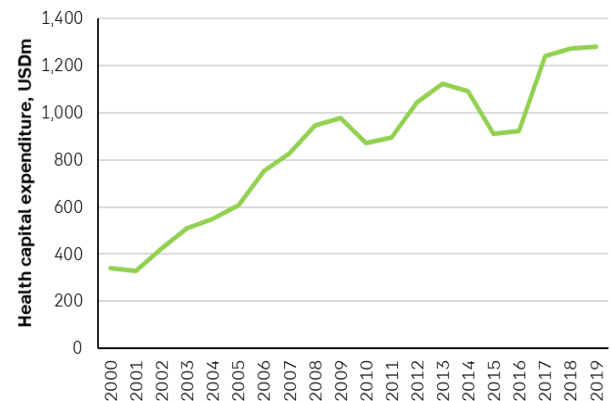
Source: The Parker Bay Company

**Healthcare spending is growing steadily****Healthcare**

The healthcare sector faces ever-increasing demand for resources globally, not least because of an ageing population and higher standards of living. Healthcare spend has grown steadily both in Finland and globally relative to GDP over the last two decades.

**Healthcare expenditure, % of GDP**

Source: World Bank, OECD

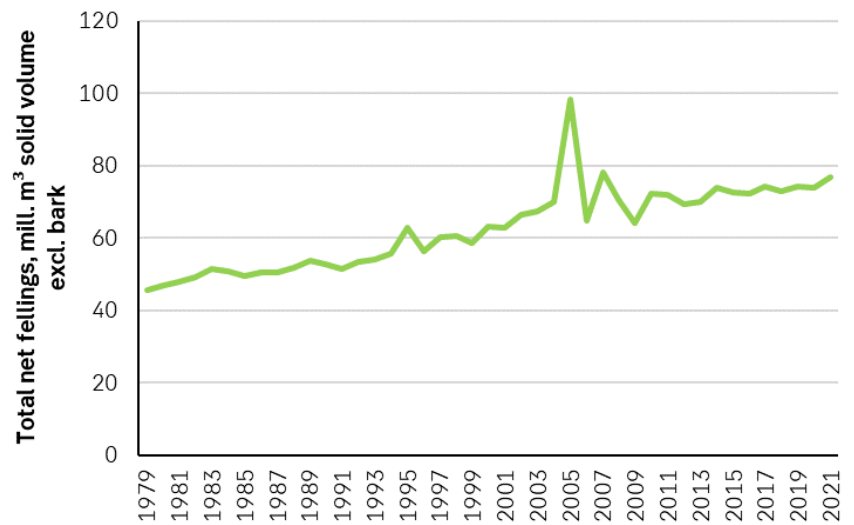
**Health capital expenditure in Finland**

Source: WHO

**The increase in net fellings is positive for Boreo****Forestry**

Boreo has exposure to the forestry industry and in particular to harvesting volumes through the Floby Nya Bilkverkstad's cranes business in Sweden. Net fellings have been increasing for a long time in Sweden, and according to Skogstyrelsen this should continue in the long term.

### Total net fellings, mill. m<sup>3</sup> solid volume excl. Bark



Source: Skogstyrelsen

### Defence

Boreo has exposure to the defence industry through its Electronics and Technical Trade businesses. The defence business is benefitting from the current global uncertainties, supporting investments in the industry. For example, the Finnish government represented a 20% y/y increase in the defence budget for 2023 in September.

### Telecom equipment

Boreo has exposure to the telecom equipment industry particularly through its Electronics Business Area. Bloomberg data show investments in telecom equipment should grow steadily globally. The addressable market is substantial (see chart below), providing an opportunity for suppliers to grow in the market.

### Global investments in fixed and mobile communication service providers



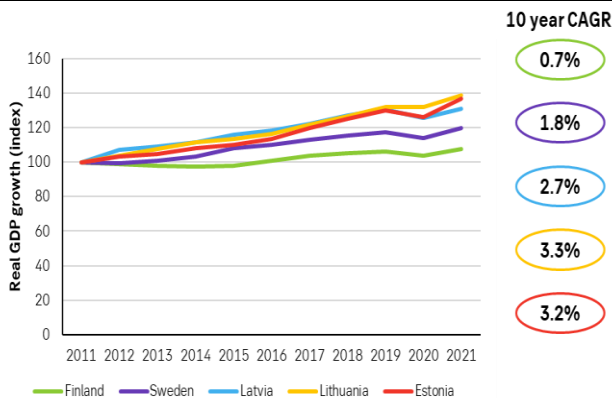
Source: Bloomberg

## General market outlook

### We assume growth in Boreo's markets outpaces GDP growth

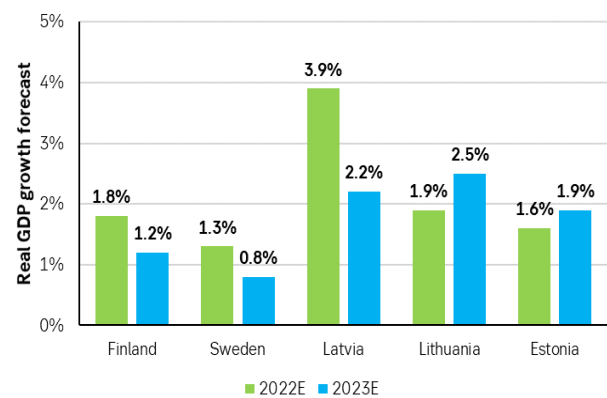
Boreo's companies have mainly grown somewhat above GDP in the last few years. We believe that average GDP growth plus 1-3% is a fair estimate of market growth. We expect digitalisation, electrification, and the transformation of power sources to mean that Boreo's addressable market will outpace GDP. In Finland, GDP CAGR has been 0.7% over the past 10 years, slightly below Sweden and the Baltics at 1.8% 3% respectively. According to the EU's Summer 2022 Forecast, real GDP will grow in Finland by 1.8% in 2022 and 1.2% in 2023 compared with 1.3% and 0.8%, respectively, in Sweden, and 2-3% in the Baltics.

#### Historical real GDP growth



Source: Refinitiv

#### Real GDP growth estimates



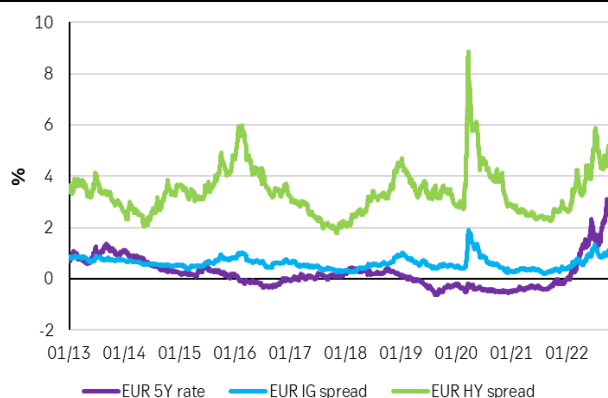
Source: European Union Summer 2022 forecast

### M&A volumes cyclical, but acquisitions happen under all economic conditions

The number of M&A transactions grew at a 5% CAGR in Finland and a 6% CAGR in Sweden in 2009-2021, with big swings along the way. For example, the biggest annual decrease in Finland was 28% and the highest increase, in 2021, was 53% according to Refinitiv. This year, market valuations have fallen, and financing costs have increased because of higher government bond yields and widening spreads on investment grade and high-yield bonds. Eurozone central government bond yields are more than 3pp higher than at the start of 2021 and investment grade and high yield bonds are up 4.2pp and 5.6pp, respectively. At the same time, transactions have fallen back to 2020's level.

Declining valuations may create acquisition opportunities, but we believe that valuations of un-listed companies may fall more slowly than those of listed companies - the P/E of OMX Helsinki has fallen dramatically in the past couple of years, as shown below.

#### Eurozone interest rates

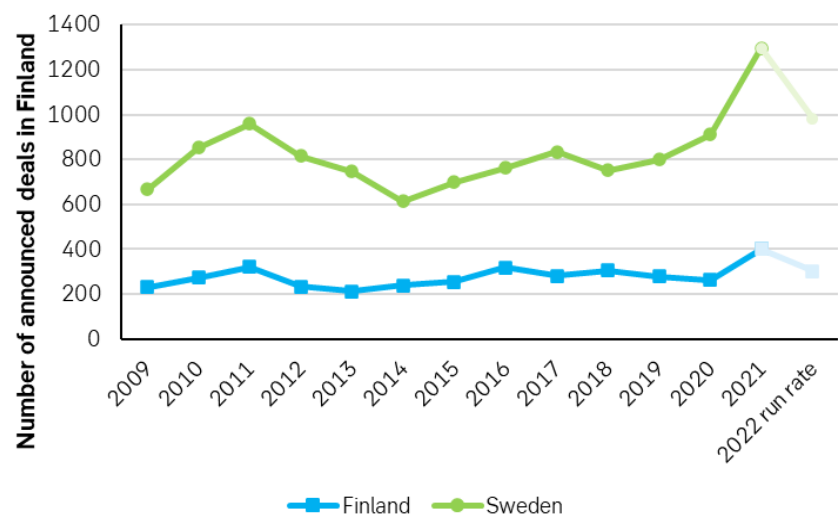


Source: Bloomberg

#### OMX Helsinki PI NTM P/E



Source: Bloomberg as of 13.11.2022

**Number of announced M&A transactions in Finland and Sweden**

Source: Refinitiv as of 4.10.2022

**Boreo is one of only a few companies in Finland with a cross-industry serial acquirer strategy**

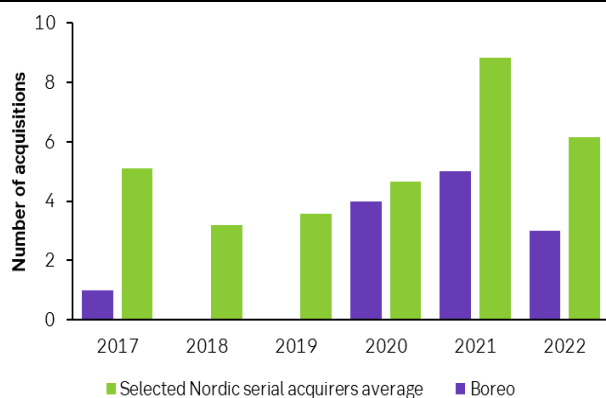
## Nordic serial acquirer landscape

Acquisitions are a strategic cornerstone for several Nordic companies. Examples of companies with acquisition strategies that focus on one industry include Finnish power sports distributor Duell, and Swedish electricity and HVAC installation companies Instalco and Bravida. Boreo currently focuses on three business areas and is diversified within each but is also open to new segments. Thus, we see Boreo to be a more broadly focused pure serial acquirer company with a decentralised organisation structure. There are many industrial sales companies with decentralised serial acquirer strategy in Nordics, such as Lifco and Indutrade. If we look at Boreo's current portfolio, we find Swedish OEM International and Momentum Group to be the closest peers to Boreo. Also, for example, Sweden's Bergman & Beving is partly exposed to the same industries. We note that Finland only has a few corresponding serial acquirers apart from Boreo. This gives Boreo an edge with its local knowledge in Finland, even though foreign competitors can also make acquisitions in Finland. For example, Finnish Aspo operates a compounder strategy, owning different companies. However, it has more focused portfolio of companies in which its strategy is to invest heavily. This is different from Boreo's light-touch approach and thus we do not find Aspo as the most suitable peer for Boreo.

Boreo has made notably fewer acquisitions than some Nordic serial acquirers that have hundreds of serial acquisitions under their belt. Boreo has been active in acquisitions over 2020-2022, similar to other Nordic serial acquirers, although the larger acquirers have made more acquisitions during this time.

**Illustrative Nordic serial acquirer field overview**

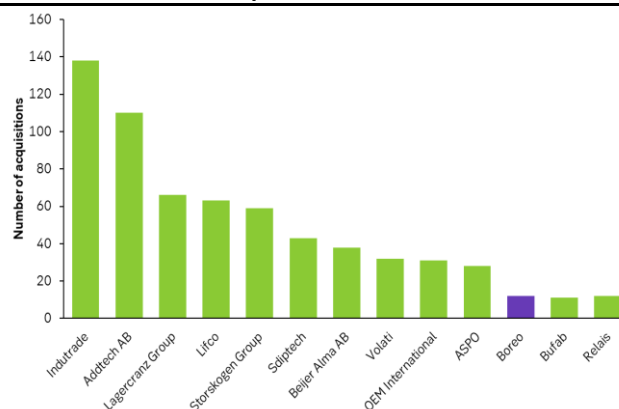
Source: SEB analysis, company websites

**Annual acquisitions, Boreo & selected serial acquirers<sup>1,2</sup>**

1) Selected serial acquirers include Indutrade, Addtech, Lagercrantz, Lifco, Storskogen, Spidtec, Beijer Alma, Volati, OEM International, Aspo, Buefab and Relais.

2) Acquisitions made by Machinery before joining Boreo in 2020 not included

Source: Refinitiv, Boreo.

**Historical number of acquisitions**

Source: Refinitiv, Boreo



# Peer and competitor profiles

We divide Boreo's peers into serial acquirers, which are Nordic names with acquisitions as key part of their strategy, and industry peers that are directly to Boreo's portfolio companies. In terms of valuation, we find serial acquirers more relevant peers for Boreo. Distributors are shown to illustrate profiles of more pure distributor companies. This information in this section is based on SEB analysis, Refinitiv and company websites, unless stated otherwise.

## Serial acquirer peer profiles I

Serial acquirers	Name (Currency)	Sales development	Sales CAGR <sup>1</sup> '17-'22, '22-'24	Description
	Addtech (SEKm)	 7,178 8,022 10,148 11,735 11,336 13,747 17,492 17,967 10% 11% 11% 13% 14% 15% 14% 14% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	14%, 14%	Addtech is a Swedish technical solutions group established in 1906. It takes an active and supportive ownership approach within a decentralised structure. The company has around 140 subsidiaries with around 3,500 employees. Addtech's customers are Nordic manufacturing companies. Addtech's subsidiaries are grouped into five business areas: Automation, Energy, Industrial Solutions, Electrification, and Process Technology. The company's ROCE estimated to rise from 18 (2021) to 21% in 2022 according to Refinitiv.
	Aspo (EURm)	 502 541 588 474 573 638 611 641 7% 7% 8% 10% 12% 12% 13% 12% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	4%, 1%	Aspo is a Finnish B-to-B industrial services company established in 1929. It operates a decentralised business model meaning that the acquired companies are responsible for their operations, customers and development. Aspo Group owns four companies that operate in 18 countries: ESL Shipping, a dry bulk cargo company in the Baltic Sea region; Telko, a supplier of plastic raw materials and industrial chemicals in Finland and neighbouring areas; Leipurin, a provider of comprehensive solutions in bakery, confectionery, and foodservice markets; and Kauko, tool and solutions provider for healthcare, logistics and industry.
	Beijer Alma (SEKm)	 3,971 4,409 4,622 4,250 4,596 6,107 6,035 6,360 17% 17% 18% 18% 21% 19% 19% 19% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	9%, 2%	Beijer Alma is a Swedish industrial company established in 2010 when it was divested from Beijer Ref. Beijer Alma is divided into three business areas. Lesjöfors includes companies that are suppliers of industrial springs, wire, and flat strips. Habia Cable consists of manufacturers of custom-designed cables. Beijer Tech's companies focus on fluid technology and industrial product automation and manufacturing. Beijer Alma has completed more than 30 acquisitions since 2010 and has a decentralised organisation. Since its inception, 42% of acquired sales have come from the Nordic region and 37% from rest of Europe. The company's ROCE is estimated by Refinitiv to be around 14% in 2022.
	Beijer Ref (SEKm)	 9,830 13,015 14,817 14,062 16,905 22,381 25,235 26,953 9% 11% 10% 11% 12% 13% 13% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	18%, 10%	Beijer Ref is a global refrigeration wholesaler based in Sweden established in 1866. Beijer Ref's operations are divided into three business areas: Refrigeration, which covers central refrigeration systems, freezers, and refrigeration plants; HVAC, with products for climate control and ventilation in indoor spaces; and OEM, Beijer Ref's manufactured environmentally friendly refrigeration plants and heat pumps business based on natural refrigerants. The company has around 70 independent subsidiaries in around 40 countries. Beijer Ref main area is wholesaling and distribution, but it also manufactures own equipment and offers value-adding services, such as training for products. The company operates a decentralised business model.
	Bergman & Beving (SEKm)	 3,834 3,833 3,945 4,060 4,311 4,599 4,770 4,849 7% 6% 7% 9% 10% 11% 12% 12% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	3%, 3%	Bergman & Beving AB is a Swedish company owning companies that supply industrial construction products and related services. The company owns 19 companies and operates a decentralised organisation structure. The companies Bergman & Beving acquires operate in the industrial and construction sectors in the Nordic region. Their operations are divided into three business areas: Building Materials, Workplace Safety, and Tools & Consumables.
	Bufab (SEKm)	 3,201 3,786 4,348 4,756 5,878 8,458 8,420 8,705 11% 12% 12% 14% 13% 13% 13% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	21%, 1%	Bufab is one of the fastest growing companies in the highly fragmented global market for C-parts, which describes the myriad small components that go into anything from washing machines to cars. C-parts are, quite literally, the nuts and bolts of manufacturing. It has over 7,000 suppliers and over 16,000 customers in various industries globally to over 160,000 C-parts. Bufab has operations in 28 countries and is a leading Supply Chain Partners globally. Customers range from large enterprises such as Schneider Electric and IKEA to smaller local distributors of C-parts. Since the IPO in 2014, Bufab has net sales CAGR of 15% and in 2021 reported an adj. EBITA margin of 12.5%. A key part of Bufab's strategy is to acquire and develop companies and it has made over 50 acquisitions since 1978.
	Indutrade (SEKm)	 14,847 16,848 18,411 19,217 21,715 26,581 27,177 28,096 13% 14% 16% 18% 18% 18% 17% 18% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	12%, 3%	Indutrade is a Swedish technology and industrial group established in 1978. It acquires and develops technology companies and, at the moment, has around 200 subsidiaries with around 8,100 employees in over 30 countries. The company operates in eight business areas divided into Benelux, Dach, Finland, UK, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, and Measurement & Sensor Technology. Indutrade operates a decentralised organisation where operational responsibility is delegated to each subsidiary. The company's ROCE is estimated by Refinitiv to be around 21% in 2022.
	Lifco (SEKm)	 10,030 11,954 13,845 13,782 17,480 21,272 22,091 21,762 18% 19% 21% 22% 24% 23% 21% 22% 2017 2018 2019 2020 2021 2022E 2023E 2024E Sales EBITDA margin	16%, 1%	Lifco is a Swedish compounder. Lifco acquires SME businesses and owns 198 companies operating in 31 countries. The company operates as a decentralised organization. Business is divided into three business areas: Systems solutions covered around 44% of Lifco's turnover in 2021. It has five divisions: Construction Materials, Contract Manufacturing, Environmental Technology, Forest Service, and Distribution. The second business area, Demolition and Tools, covered around 27% of Lifco's turnover in 2021. It consists of suppliers of demolition robots, crane attachments, and excavator attachments. The final business area, Dental, covers around 29% of Lifco's turnover in 2021. Dental includes manufacturers and suppliers of consumables, equipment, and technical services.

Source: SEB, Refinitiv, company websites

## Serial acquirer peer profiles II and distribution peer profiles

	Name	Sales development	Sales CAGR <sup>1</sup> '17-'22, '22-'24	Description
Serial acquirers	Lagercrantz Group (SEKm)		11%, 18%	Lagercrantz Group is a Swedish technology group consisting of some 70 companies, each with a niche focus. Lagercrantz Group's operations are grouped into five business areas: Electrify, Control, TecSec (technical security), Niche Products, e.g., pumps for foodstuffs and special doors, and International. The company operates a decentralised business model.
	Momentum Group (SEKm)		12%, 1%	Momentum is a Swedish group that acquires and develops Nordic industrial companies. It owns 11 companies comprising suppliers of industrial components, industrial services, and services related to the industrial sector. Momentum Group's businesses are grouped into Technical Service, Aftermarket Sales, and Specialists, which offers services in industrial automation and components and services related to transmissions, hydraulics and pumps.
	OEM International (SEKm)		8%, 1%	OEM International is a Swedish technology trading company established in 1973. It owns 37 businesses grouped into six business areas operating in 15 countries: Electrical Components; Machinery Components & Cables; Pressure & Flow Components; Motors, Ball Bearings & Brakes; Appliance Components, and Installation Components.
	Sdiptech (SEKm)		27%, 14%	Sdiptech is a Swedish group that acquires and develops companies. It was established in 2004 and now comprises 35 subsidiaries that operate under a decentralised business model. The company is divided into two equal sized business areas. Resource Efficiency comprises four categories: Water & Sanitation; Bioeconomy; Waste Management; and Power & Energy. The second business area, Special Infrastructure Solutions, includes three product categories: Air & Climate Control; Safety & Security; and Transportation. The company's ROCE is estimated by Refinitiv to be around 11% in 2022.
	Storskogen Group (SEKm)		'19-'22 75%, 6%	Storskogen, established in 2012, is a Swedish company acquiring small and medium-sized distributors and wholesalers with the aim of being a long-term owner. It has 132 companies. Storskogen's operations are grouped into three business areas: Trade, Industry, and Services. The company also divides its operations into 14 verticals including, for example, Logistics, Industrial technology, and Health & Beauty.
	Volati (SEKm)		12%, 3%	Volati is a Swedish industrial group established in 2003 with an active ownership approach. It monitors 49 group companies and supports them with strategy while retaining their entrepreneurial spirit. Volat is divided into three divisions. Salix Group consists of businesses that supply materials to the construction industry and building materials retail. It offers its own brand products and distributes branded products. The second business area, Industry, consists of four niche manufacturing suppliers in grain handling, moisture and water damage restoration, infrastructure for telecom and lighting, and stone and cement products for infrastructure, paving, and roofing. The third business area, Etikett Group, consists of companies in the label industry.
Distributors	Christian Berner Tech Trade (SEKm)		12%, 3%	Christian Berner, established in 1897, is a Swedish technical trading company. The company markets and sells high-quality components, systems, and services from several manufacturers to industries and municipalities in the Nordic region. The company analyses customers' technical needs and offers advice on the choice of components. For example, the company supplies technical products in environmental technology such as vibration- and noise-dampening materials and industrial equipment.
	Rexel SA (EURm)		6%, 8%	Rexel, established in 1967, is a French distributor of electrical, heating, lighting, and plumbing equipment and of renewable energy efficiency products and services. Rexel's customers are installers and industrial companies in construction, building renovation maintenance and infrastructure. Rexel represents globally known manufacturing names such as 3M, ABB and General Electric.

Source: SEB, Refinitiv, company websites



# Financials

Boreo announced the following financial targets at its capital markets day in September 2022:

## Boreo's financial targets

### Earnings growth



Minimum 15% average annual operational EBIT growth

### Return on capital



Minimum 15% Return on Capital Employed (ROCE)

### Leverage



Net debt to operational EBITDA between 2-3x

### Dividend



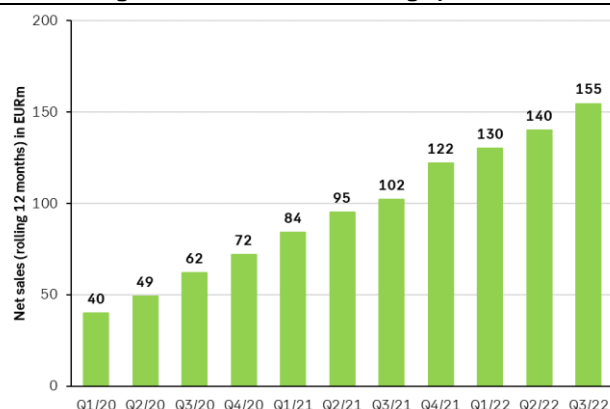
Pay an annually increasing dividend per share, taking into consideration capital allocation priorities

Source: Boreo, SEB

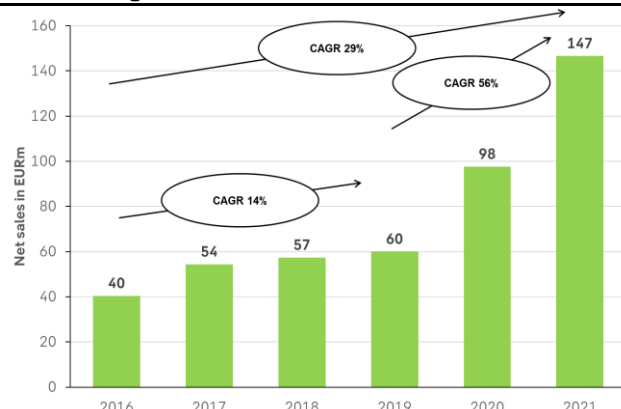
## Boreo's sales growth has been driven by acquisitions

Boreo's sales growth has been dominated increasingly by acquisitions. During 2016-19 (which was before the Boreo brand was established and the acquisitions strategy initiated), the sales CAGR was 14% (this included the acquisition of Noretron Components). In 2019-21, the sales CAGR increased to 56%, driven mainly by acquisitions (the overall CAGR for 2016-21 was 29%.)

In August 2022, Boreo announced that it had divested its business in Russia. We estimate these discontinued operations contributed 17% to group sales in 2021 and 18% of operational EBIT.

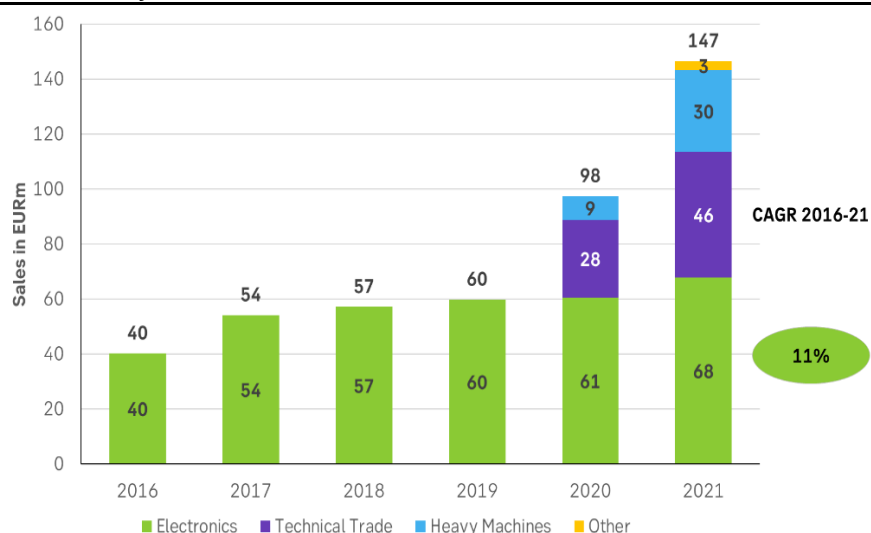
**Boreo rolling 12-month sales, continuing operations**

Source: Boreo, SEB

**Boreo sales growth**

Source: Boreo, SEB

The chart below illustrates sales by business area. The key points are the growth in Technical Trade and Heavy Machines driven by acquisitions and the continued importance of Electronics with Yleiselektronikka.

**Boreo sales by business area<sup>1</sup>**

1) 2021 includes discontinued operations sales of EUR 24.5m

Source: Boreo, SEB.

The CAGR for revenue in the Electronics division was 11% during 2016-21. We estimate that most of the sales growth is organic. However, many portfolio companies in the business area that have been acquired recently have had negative growth in the years prior to being acquired. Rolling 12 months sales in the business area have grown steadily each quarter since Q1/21.

### Sample of Electronics portfolio companies: sales growth<sup>1,2</sup>

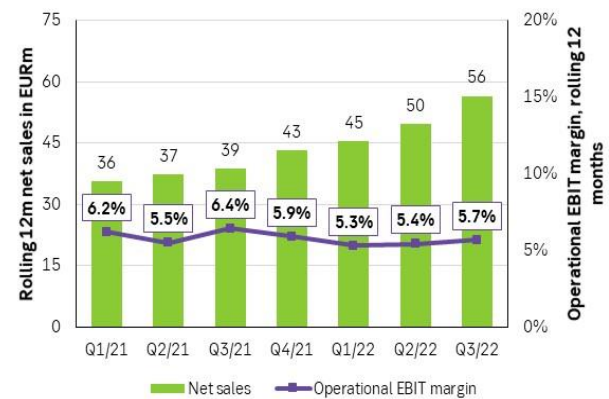


1) Yleiselektroniikka excluded due to lack of data.

2) Infradex historical sales includes operations that were ceased before Boreo acquired Infradex.

Source: Asiakastiö.

### Electronics net sales and operational EBIT margin<sup>3</sup> adj. for continuing operations



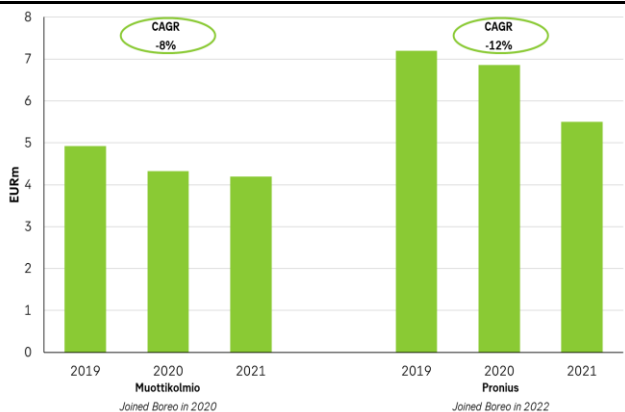
3) Rolling 12 months

Source: Boreo, SEB.

### Much of Technical Trade's business relates to deliveries to the cyclical capital goods and construction industries

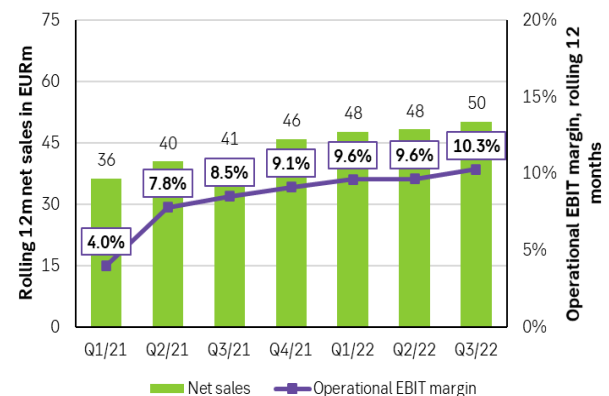
The foundation for Technical Trade business is the old Machinery business. A notable part of Technical Trade's business is related to deliveries to the capital goods and construction industries and thus it is exposed to cyclical trends. On the other hand, some of the sales on the business area are generated from aftermarket and services sales, which has a stabilizing effect on revenue streams. Sales in the business area have grown steadily in 2021-2022. If we examine development of portfolio companies before they were acquired by Boreo, we note that sales growth was weak at Muottikolmio and Pronius, -8% and -13% respectively in the period 2019-2021. Muottikolmio was acquired in autumn 2020 and Pronius in 2022. Sales growth figures for the Machinery Group, which covers most of the division, are not available. However, our understanding is that sales growth was solid in 2021, but negative in 2020 due to Covid-related problems. In 2022, Machinery and particularly its power business has performed strongly.

### Sample of Technical Trade companies: sales growth



Source: Asiakastiö.

### Technical Trade development<sup>1</sup> adj. for continuing operations



1) Adj. for continuing operations

Source: Boreo

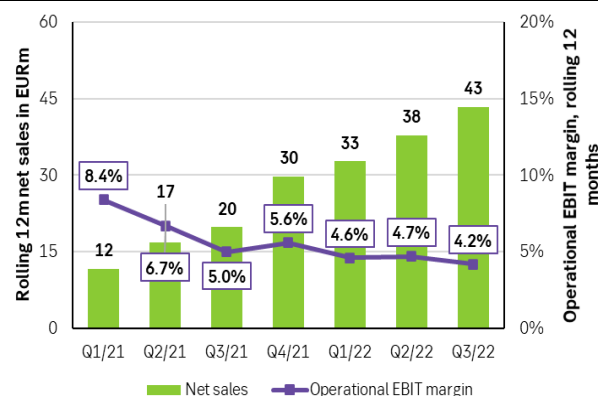
Heavy Machines' sales are exposed to the construction industry (but relatively little to residential construction). Rolling 12-month sales have grown each quarter since Q1/21. When we examine portfolio companies' development before they were acquired by Boreo, we note that they have had mainly positive sales growth during the past years.

Sample of Heavy Machines companies' sales growth<sup>1</sup>

<sup>1</sup>) Sany Nordic data not available

Source: Asiakastiето, Allabolag.

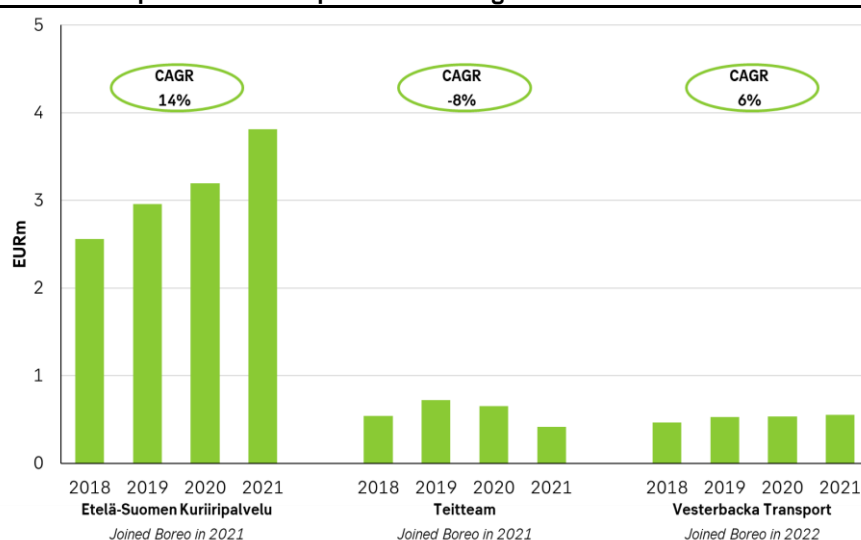
## Heavy machines development, continuing operations



Source: Boreo, SEB

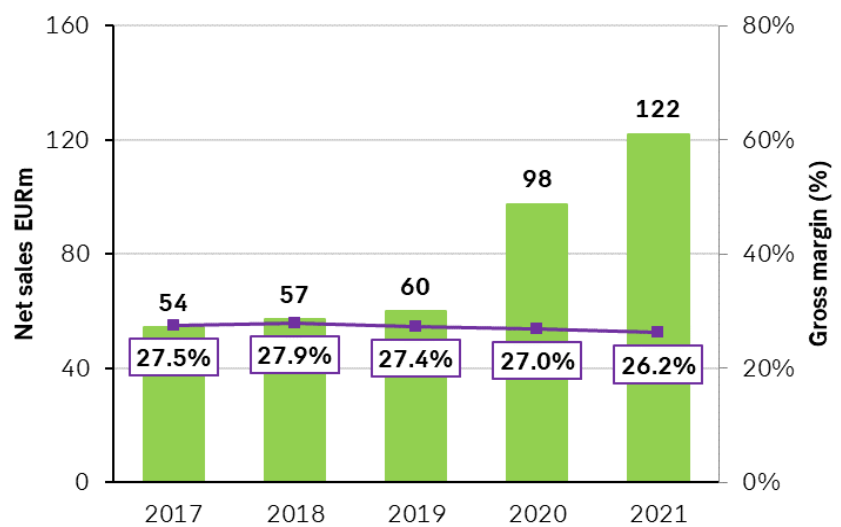
Portfolio companies in Other Operations are currently in the courier and transportation services segments. They cover only a small part of group sales and have been part of Boreo only short time. Looking at the portfolio company development before the Boreo era, Etelä-Suomen Kuriiripalvelu has enjoyed positive growth but the sales of the much smaller Teitteam have declined. ESKP and Teitteam were acquired in 2021 and Vesterbacka Transport in 2022.

## Portfolio companies in Other Operations: sales growth



Source: Asiakastiето

Boreo's gross margins were stable at around 27% in 2017-2021, with 2021 being the weakest at 26.2%. According to Asiakastiето data, many of the recently acquired companies have had better gross margins than the group, which could support gross margin development going forward.

**Net sales and gross margin (%)<sup>1</sup>**

<sup>1</sup>) 2021 adjusted for continuing operations

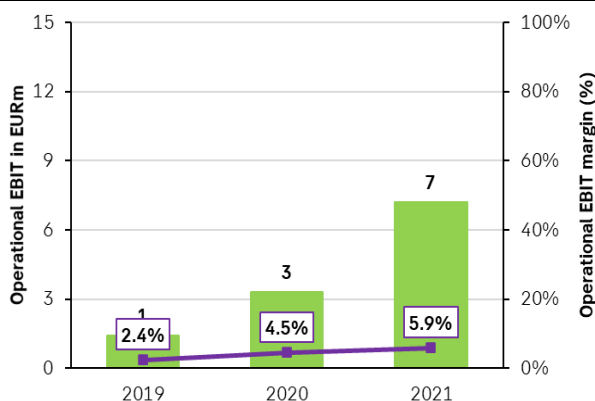
Source: Boreo, SEB.

### EBIT growth has been rapid...

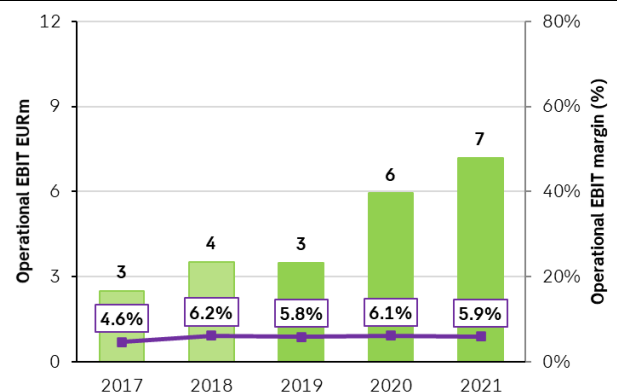
Boreo reports operating EBIT as EBIT adjusted for non-recurring expenses and allocation of acquisition costs (before 2022, only adjusted for non-recurring expenses). Boreo targets a CAGR in operating EBIT of at least 15%, which it easily surpassed with growth of 136% in 2020 and 118% in 2021 (continued operations) from lower levels. As the company expands, that pace of growth will be harder to sustain.

### ...and margins have improved

Boreo's operational EBIT margin improved from 5.8% in 2019 to 6.0% in 2021. In 2020 Boreo went through reorganisations that generated EUR 1.5m in annual savings and released over EUR 4m capital from NWC and asset sales. Discontinued operations used to play notable role of group operational EBIT; 45% in 2020 and 18% in 2021. This means that especially in 2020 discontinued operations had notably better operational EBIT margin (about 10% according to our estimates) compared with 6.1% on the group level. In 2021, the operational EBIT margin of continuing operations was slightly weaker than that of continuing operations, but the difference in margins was only small. The operational EBIT margin of continuing operations improved from 2.4% in 2019 to 5.9% in 2021.

**Operational EBIT, continuing operations**

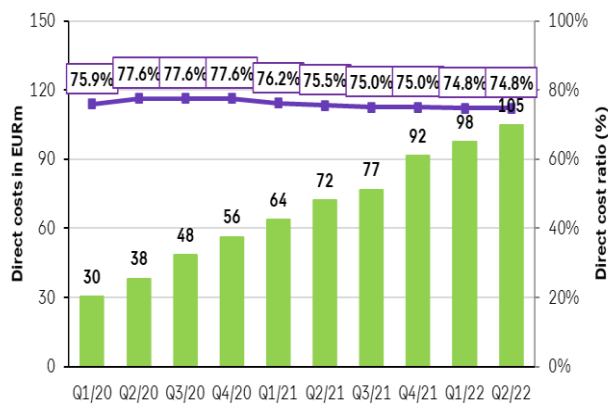
Source: Boreo, SEB

**Operational EBIT, group**

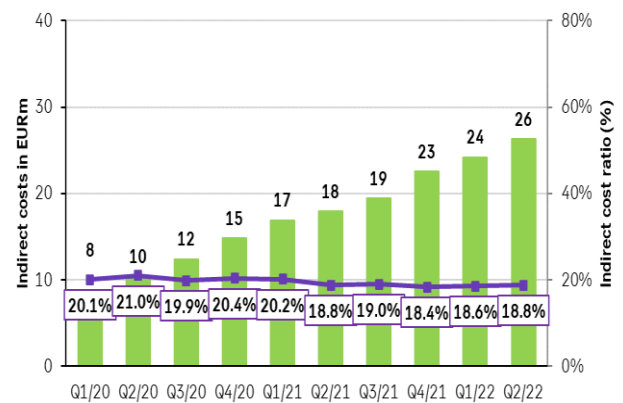
<sup>1</sup>) 2017-2018 EBIT instead of operational EBIT

Source: Boreo, SEB.

Boreo's indirect and direct cost ratios have declined whilst sales have grown, reflecting business model scalability. Most costs are direct (about 75% of rolling 12 month sales in Q2/22).

**Direct costs (rolling 12 months)**

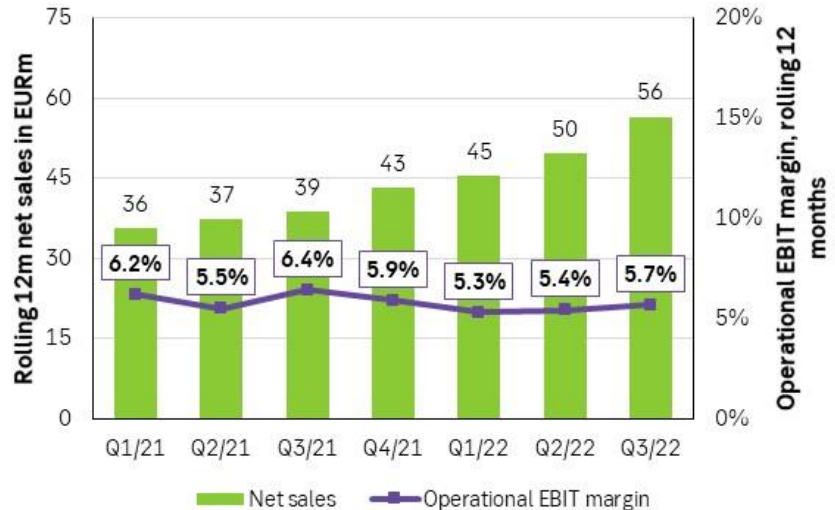
Source: Boreo, SEB

**Indirect costs (rolling 12 months)**

Source: Boreo, SEB

**Electronics EBIT margin trend has been somewhat negative in 2021-22, but development turned positive in Q3/22**

There are some differences in profitability between business areas. The operational EBIT margin in Electronics in 2019-2021 was stable at 6-8%, but the divestment of the Russian operations meant the operational EBIT margin in was 6% rather than 7% if Russia had been included. The operational EBIT margin trend has been somewhat negative in the business area since Q1/21 (continuing operations) but the q/q development turned positive in Q3/22. Profitability was affected in Q2/22 by a one-time write-down and some effects from long delivery times. When we examine the profitability of the Electronics business area portfolio companies (mainly before they joining Boreo), we note that their EBIT margins were roughly in line with Boreo's.

**Electronics sales and operational EBIT margin<sup>1</sup> adj. for continuing operations**<sup>1</sup>) Rolling 12 months

Source: Boreo, SEB.

**Profitability trend in Technical Trade has been positive 2021-22, while Heavy Machines has been struggling**

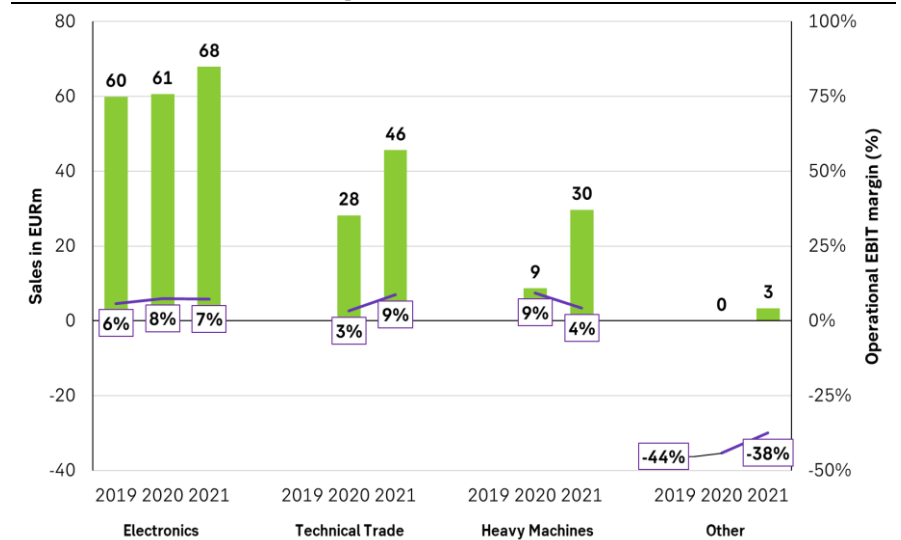
The Technical Trade and Heavy Machines business areas have been part of Boreo for a short time. Profitability of Technical Trade improved notably in 2021, while Heavy Machines' profitability has been negative. Looking at the profitability of the portfolio companies in the Technical Trade business area (mainly before they were acquired by Boreo), we note that Muottikolmio and Pronius generated 13-21% EBIT margins in 2019-2021, while the business area had 4% and 9% operational EBIT margins in 2020-21. Machinery is the largest company in the Technical Trade business area and it had weak profitability in 2020 due to Covid-related issues, but it recovered in 2021.

This business area's operational EBIT margin development (rolling 12 months) has been positive since Q1/21.

Operational EBIT margin development has been weak in Heavy Machines since Q1/21, related to e.g., profitability development in Sweden, weaker sales mix, growth investments and some write-downs. The business area suffered from supply chain availability issues in 2021.

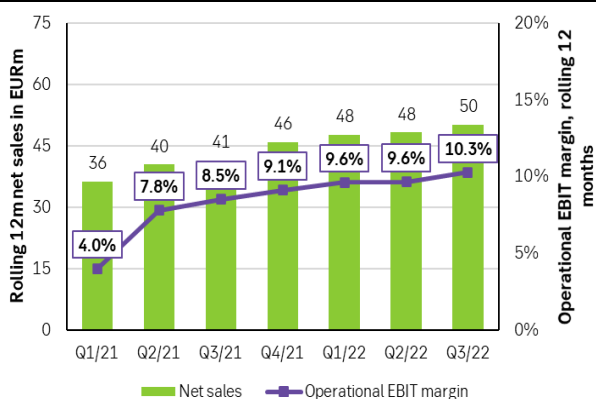
Portfolio companies in Other Operations have been rather profitable when we examine time before joining Boreo: Etelä-Suomen Kuljetuspalvelu and Teitteam have had same owner earlier and generated on average 15% and 34% EBIT margin in 2019-21. Vesterbacka Transport has low EBIT margins, but it has had on average 16% EBITDA margin 2018-21. Other Operations portfolio companies have been part of Boreo only for short time and Other Operations includes also group costs, and thus the profitability is negative in the Other Operations "business area", but we believe portfolio companies have potential to improve group's profitability.

#### Sales and operational EBIT margin by business area



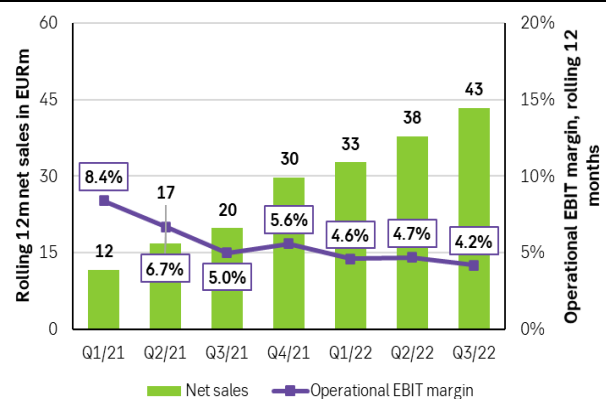
Source: Boreo, SEB

#### Technical Trade development, continuing operations

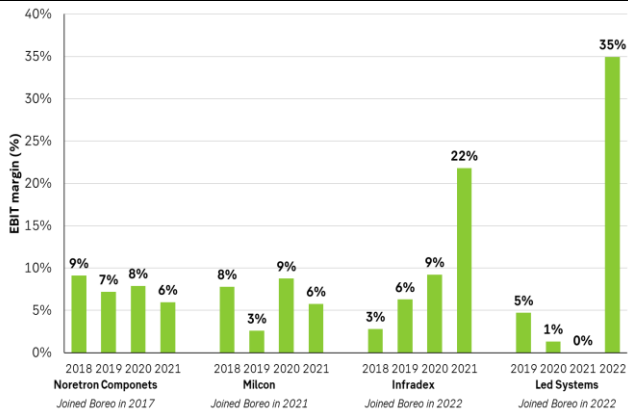
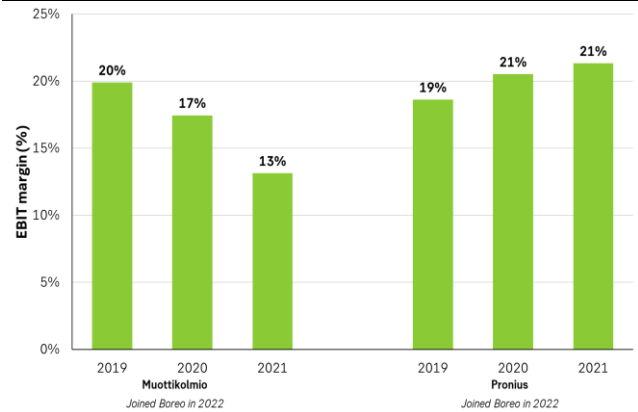
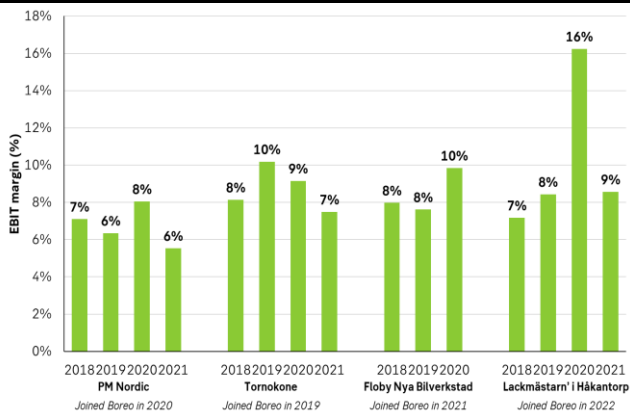
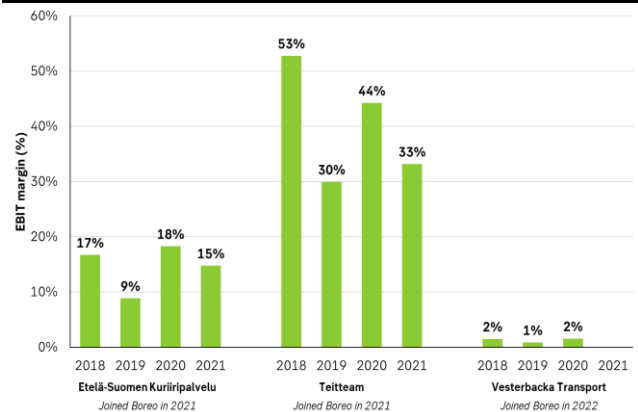


Source: Boreo, SEB.

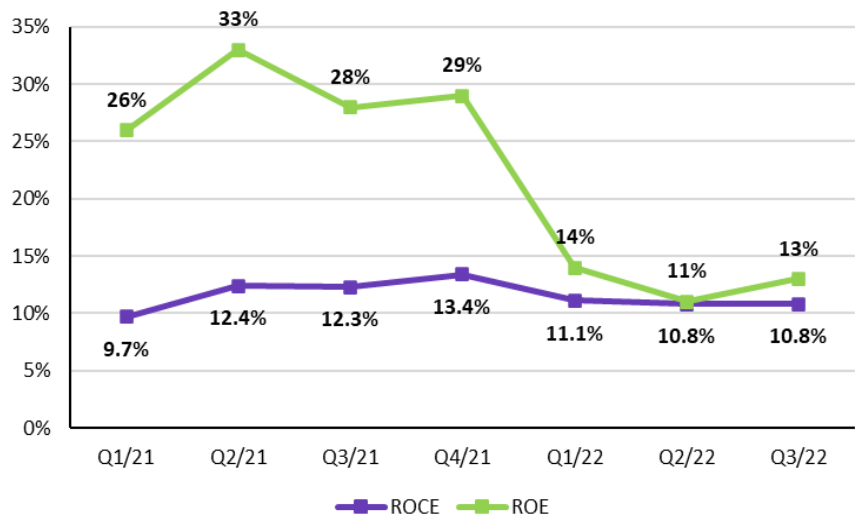
#### Heavy machines development, continuing operations



Source: Boreo, SEB.

**Sample of Electronics portfolio companies: EBIT margin<sup>1</sup>****Sample of Technical Trade portfolio companies: EBIT****Sample of Heavy Machines portfolio companies: EBIT****Sample of Other portfolio companies: EBIT margin<sup>1</sup>**

Boreo's long-term target is to generate return on capital employed (ROCE) of above 15%, which makes sense to us because ROCE is an obvious metric for an acquisition-oriented company. Boreo has not been able to reach the target yet but rolling 12-month ROCE (continued operations) has clearly improved from H1 2021 levels. Return on equity declined in Q1/22 after the issuance of hybrid bonds.

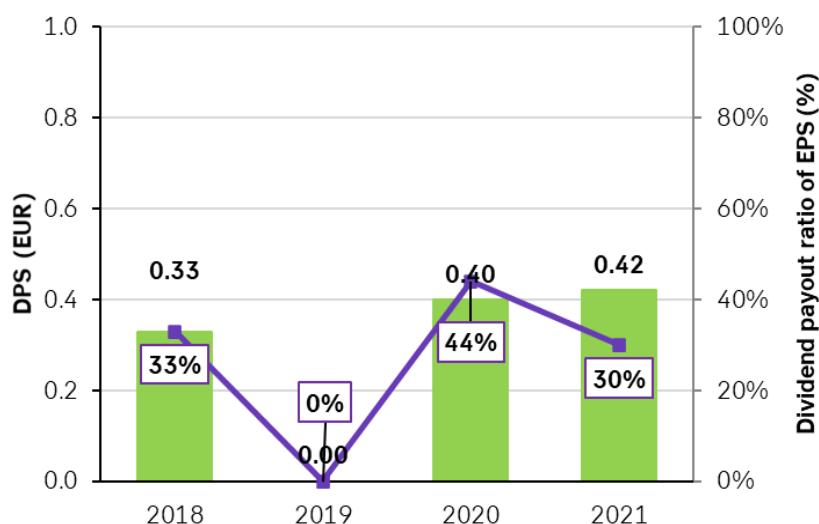
**Return on capital employed and return on equity (Rolling 12 months)**

Source: Boreo



Boreo aims to pay annually increasing dividend, taking into consideration capital allocation. Boreo has paid EUR 0.4 and 0.42 per share from 2020 and 2021 net profit. However, the company aims to use cash flow mainly to investments internally or externally, and hence the dividend yields currently rather low.

**Dividend per share and dividend payout**



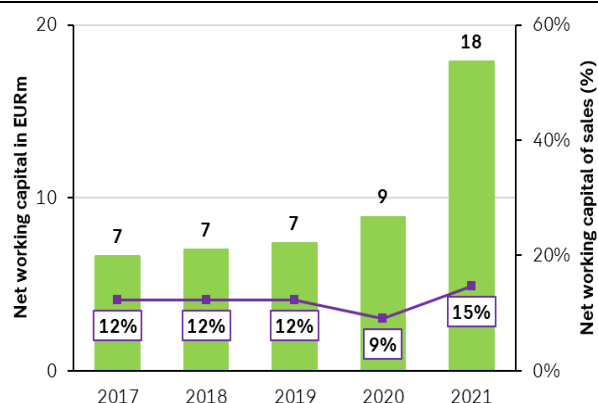
Source: Boreo, SEB

## Cash flow

### Solid cash flow generation is important for Boreo

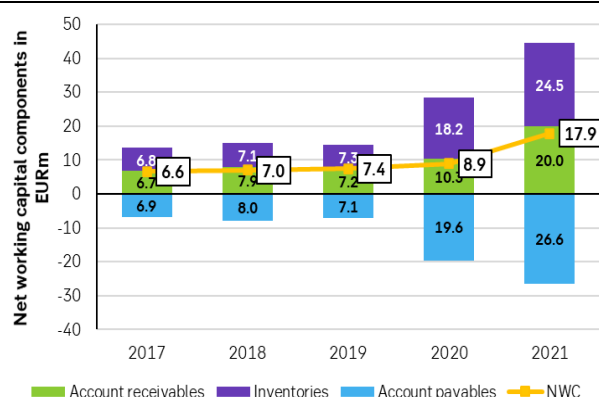
Boreo intends to acquire companies with light operations and low investment needs so that the cash flow can be invested internally within Boreo or externally on acquiring attractive targets. Boreo's net working capital was stable at 12% of sales in 2017-2019, after which it has fluctuated, ending up at 15% in 2021. Boreo generated positive cash flow from net working capital in 2020 during the pandemic. On the other hand, Boreo wanted to secure its ability to deliver in 2021 despite supply chain problems, which resulted in increased net working capital. The company is now focused on improving its net working capital. In H1, the rolling 12m change in NWC was EUR -5.1m and -5.7m in Q2<sup>4</sup>. There is a bit fluctuation between average NWC/sales between portfolio companies, but typically portfolio companies' NWC has been some 10-15% of sales.

**Boreo working capital in EURm**



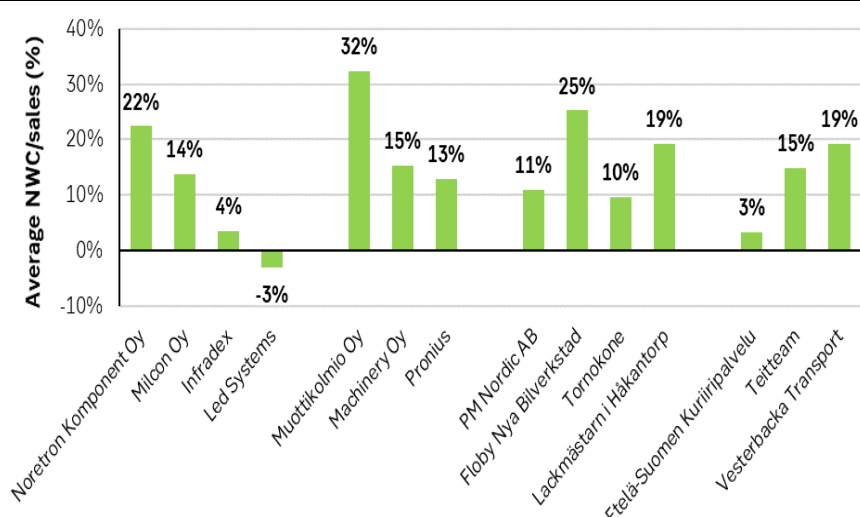
Source: Boreo, SEB

**Boreo working capital components in EURm<sup>1</sup>**



Source: Boreo, SEB. 1) 2021 adjusted for continuing operations

<sup>4</sup> Q2 adjusted for continued operations

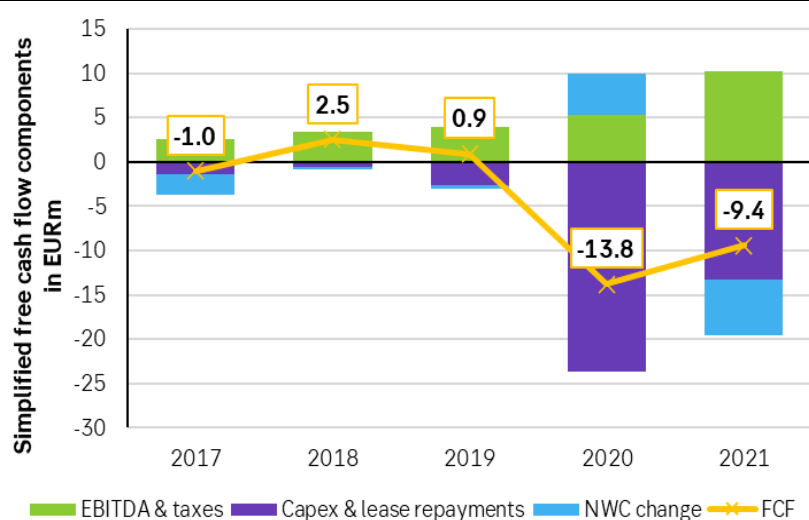
**Average NWC/sales<sup>1</sup> over the past four years<sup>2</sup>**

1) Following formula for NWC calculation for Floby Nya Bilverkstad, PM Nordic & Lackmästarn<sup>1</sup>: Current asset – current liabilities.

2) Intragroup items excluded

Source: Asiakastieto, Allabolag, SEB.

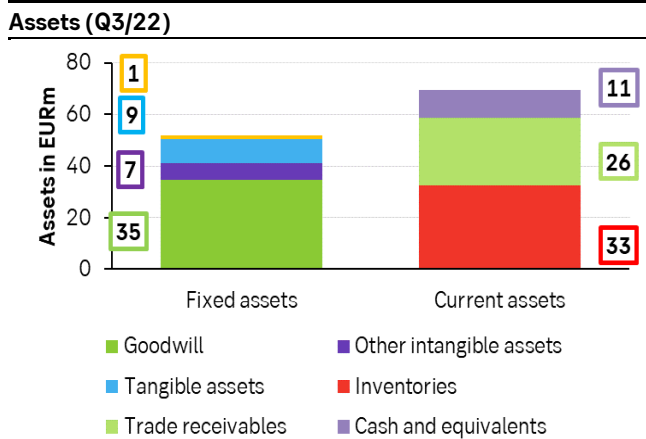
Boreo's free cash flow has been negative since the initiation of its serial acquirer strategy due to high capital expenditure. Capex relates mainly to acquisitions. Hence, Boreo's organic operations are rather asset-light, allowing cash flow to be invested in profitable targets.

**Simplified free cash flow components<sup>1,2</sup>**

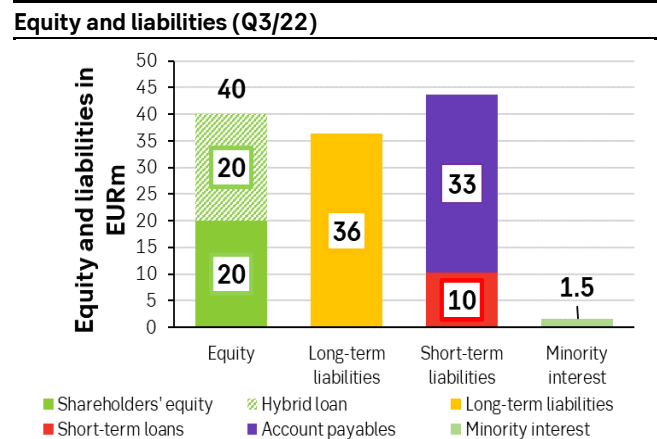
1) According to IFRS 16 since 2019. 2) 2021 includes both continuing and discontinued operations

Source: Boreo, SEB.

## Balance sheet



Source: Boreo, SEB

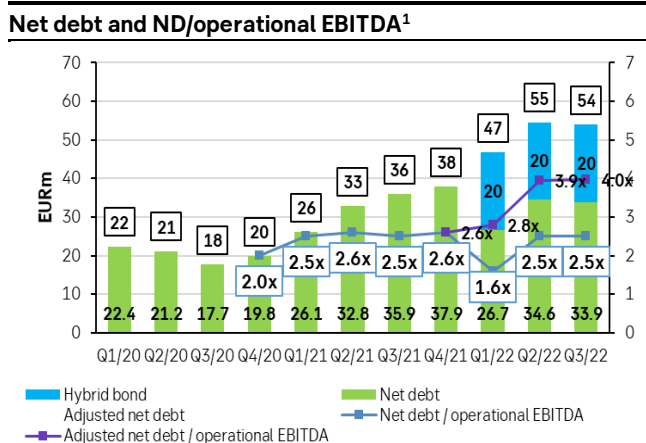


Source: Boreo, SEB

### Goodwill is the largest asset on the balance sheet

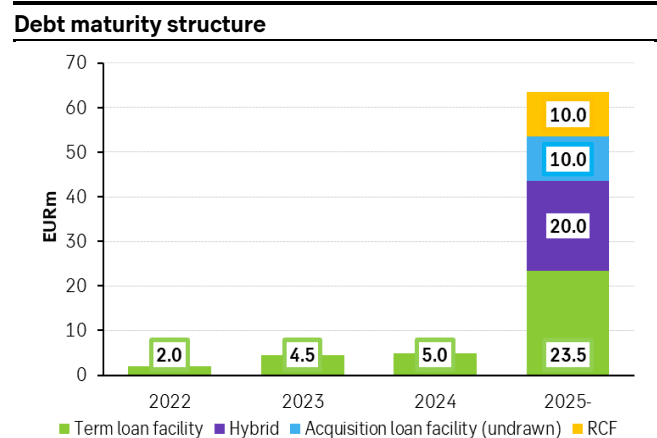
Goodwill is the largest asset item in Boreo's balance sheet (as of Q3/22) followed by inventories and receivables; tangible assets play only small role. Equity is the largest item among equity and liabilities at EUR 40m as of end-Q3. However, EUR 20m of that is a hybrid loan. Otherwise, long-term liabilities are largest item (EUR 36m), followed by EUR 33m account payables and EUR 10m short-term loans.

Boreo targets net debt/operating EBITDA of 2-3x. Boreo's net debt has increased notably since the initiation of its serial acquirer strategy in 2020-21. Operational EBITDA has increased as well, and net debt is currently (Q3) at 2.5x trailing 12-month operational EBITDA. Boreo issued a hybrid bond in Q1/22. Adjusted for the hybrid bond, the net debt as of end of Q3 would be 4.0x. The ratio was 3.1x at the end of 2021 and the (unadjusted ratio) declined to 1.6x after issuance of the hybrid bond in Q1 but increased in Q2 mainly due to the exit from Russia. Debt matures mainly in 2025 or beyond, with EUR 2-5m of annual amortisation due before that.



1) Q2/22 adjusted for continuing operations

Source: Boreo, SEB.

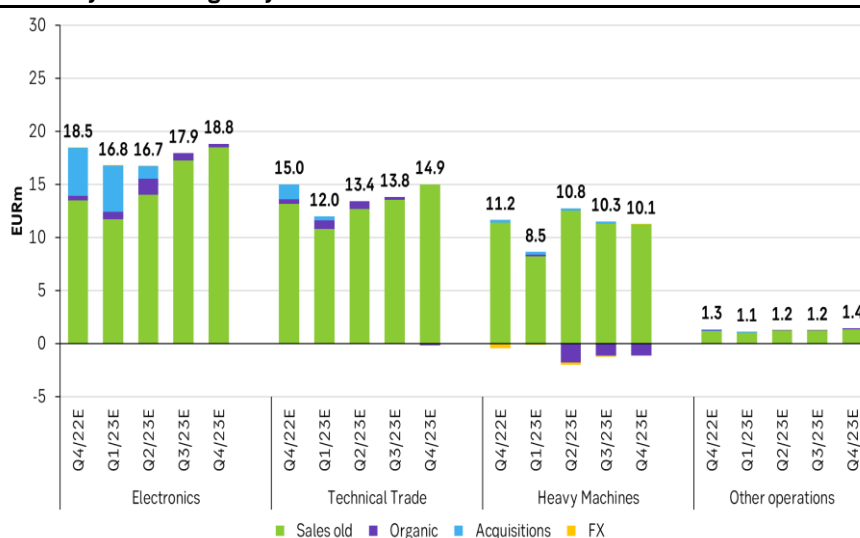


Source: Boreo, SEB

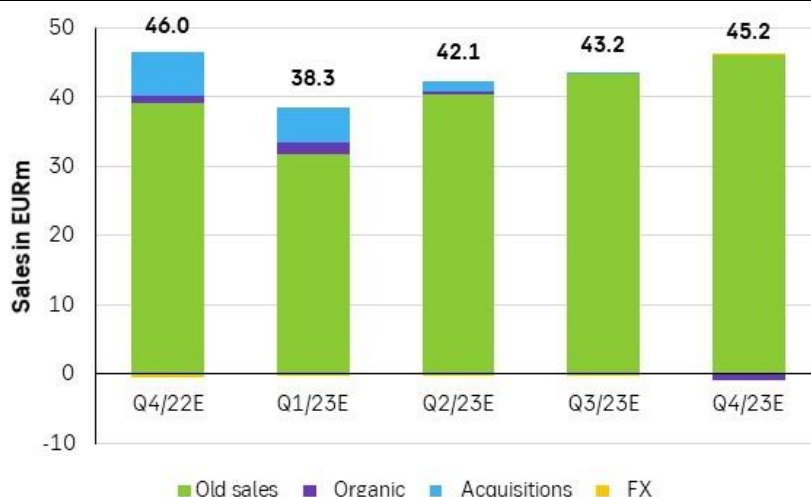
# Estimates

Our estimates are based only on Boreo's currently owned businesses. However, we model its potential M&A capacity based on our organic growth estimates. We project a CAGR for Boreo's revenue of 4% for 2022-25. We estimate sales growth of 5% in 2023 with inorganic growth at 4% and organic growth at 1%. We believe that Boreo's 2023 sales will be supported by the gradual normalisation of supply chains, solid order levels and price increases. We estimate Electronics organic sales growth of 5% and of 3% for Technical Trade for 2023, supported by increasing demand from the defence sector, for example, and still-solid order books. However, investment demand looks uncertain and we expect growth to slow in H2. Heavy Machines' 2022 development has not fully met Boreo's expectations. Despite this, we see an organic sales decline of 9% in 2023 due to the high exposure to the weakening construction industry. We note that many of the recently acquired companies have been more profitable than the group recently. Hence, we expect the operational margin to improve with support from the acquired companies, increased efficiency and easing supply chains. We also expect an improved gross margin in H2 due to easing supply chain related issues and change in sales mix as Heavy Machines sales declines notably in H2. Boreo's net working capital has climbed in 2022 due to acquisitions, but also supply chain and related problems have resulted in a rise in inventory levels. Nevertheless, we anticipate a large jump in profitability once sales start to grow significantly in 2025.

## Quarterly sales bridges by business area

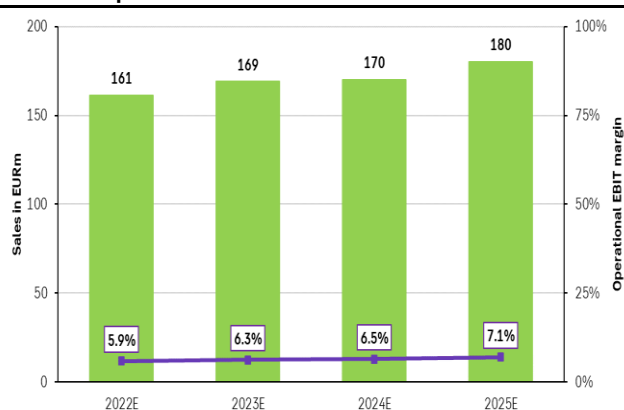


Source: SEB

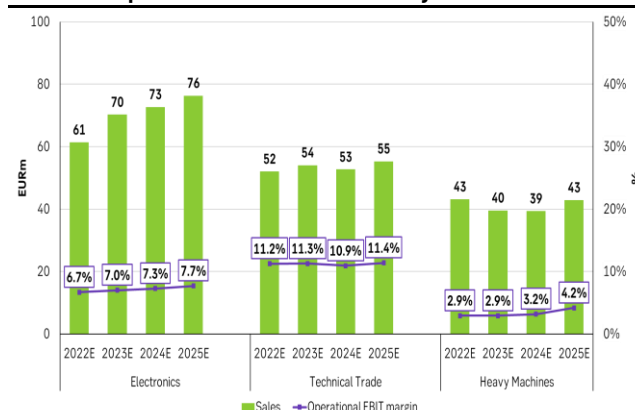
**Quarterly sales bridges 2022E-23E, total**

Source: SEB

We expect growth to remain solid in Electronics in 2024. Meanwhile, we have already seen either slowing or negative growth in industrial investments and we expect that to be reflected in Technical Trade and Heavy Machines sales development in 2024. Also, we expect construction industry demand to continue to lag in 2024. Subsequently, we expect Technical Trade and Heavy Machines sales growth to fully recover and forecast higher growth in 2025. We expect operational EBIT to jump 11% in 2023 with support from acquisitions and margin improvement, and we believe that further acquisitions are needed in order for the company to meet its operational EBIT growth and ROCE targets thereafter. We expect ROCE to rise organically from the 10.8% in Q3/22 (rolling 12 months) to 11.4% in 2023 and 11.6% in 2024. With low organic investment needs, we believe that cash flow leaves plenty of scope for future acquisitions.

**Sales and operational EBIT estimates**

Source: SEB

**Sales and operational EBIT estimates by business area**

Source: SEB

**Quarterly estimates (EURm, %)**

	Q1/22	Q2/22	Q3/22	Q4/22E	Q1/23E	Q2/23E	Q3/23E	Q4/23E
<b>Net sales</b>	<b>31.7</b>	<b>40.4</b>	<b>43.3</b>	<b>46.0</b>	<b>38.3</b>	<b>42.1</b>	<b>43.2</b>	<b>45.2</b>
Other operating income	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1
COGS	-23.5	-30.4	-32.9	-34.5	-28.6	-31.3	-31.9	-33.3
<b>Gross profit</b>	<b>8.2</b>	<b>10.2</b>	<b>10.5</b>	<b>11.6</b>	<b>9.7</b>	<b>10.9</b>	<b>11.4</b>	<b>11.9</b>
Employee expenses	-4.8	-5.0	-4.8	-5.0	-5.0	-5.3	-5.1	-5.3
Other operating expenses	-2.2	-2.2	-2.5	-2.8	-2.5	-2.5	-2.5	-2.7
Share of result from associates	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
<b>EBITDA</b>	<b>1.2</b>	<b>3.2</b>	<b>3.3</b>	<b>3.8</b>	<b>2.3</b>	<b>3.2</b>	<b>3.8</b>	<b>4.0</b>
Depreciations & amortisations	-0.9	-1.1	-1.0	-1.2	-1.1	-1.1	-1.2	-1.3
<b>EBIT</b>	<b>0.6</b>	<b>1.8</b>	<b>2.4</b>	<b>2.6</b>	<b>1.2</b>	<b>2.1</b>	<b>2.7</b>	<b>2.7</b>
Net financials	-0.1	-0.5	0.2	-0.3	-0.3	-0.3	-0.3	-0.4
PTP	0.5	1.3	2.6	2.3	0.8	1.7	2.3	2.3
Taxes	-0.1	-0.2	-0.6	-0.5	-0.2	-0.3	-0.5	-0.5
<b>Net profit</b>	<b>0.4</b>	<b>1.1</b>	<b>2.1</b>	<b>1.8</b>	<b>0.7</b>	<b>1.4</b>	<b>1.9</b>	<b>1.8</b>
Profit for the period, discontinued operations	0.7	-6.6	0.7	0.0	0.0	0.0	0.0	0.0
Profit for the period	1.1	-5.5	2.7	1.8	0.7	1.4	1.9	1.8
Minority interest	0.0	0.5	0.0	0.0	-0.1	-0.1	-0.1	-0.1
<b>Net profit for shareholders</b>	<b>1.0</b>	<b>-4.9</b>	<b>2.7</b>	<b>1.8</b>	<b>0.6</b>	<b>1.3</b>	<b>1.8</b>	<b>1.8</b>
<b>Operational EPS (continued operations)</b>	<b>0.23</b>	<b>0.44</b>	<b>0.83</b>	<b>0.72</b>	<b>0.26</b>	<b>0.53</b>	<b>0.71</b>	<b>0.69</b>
Reported EPS (continued operations)	0.05	0.28	0.63	0.57	0.11	0.38	0.56	0.54
<b>Operational EBIT</b>	<b>1.3</b>	<b>2.3</b>	<b>3.0</b>	<b>3.1</b>	<b>1.7</b>	<b>2.6</b>	<b>3.2</b>	<b>3.2</b>
<b>Operational EBIT growth</b>	<b>-6%</b>	<b>33%</b>	<b>35%</b>	<b>66%</b>	<b>32%</b>	<b>10%</b>	<b>7%</b>	<b>2%</b>
<b>Rolling 12m ROCE</b>	<b>11.1%</b>	<b>10.8%</b>	<b>10.8%</b>	<b>10.9%</b>	<b>11.2%</b>	<b>11.3%</b>	<b>11.4%</b>	<b>11.4%</b>
<b>Sales by Business Area</b>								
Electronics	11.7	14.0	17.3	18.5	16.8	16.7	17.9	18.8
Technical Trade	10.8	12.7	13.5	15.0	12.0	13.4	13.8	14.9
Heavy Machines	8.2	12.5	11.3	11.2	8.5	10.8	10.3	10.1
Other operations	1.0	1.2	1.2	1.3	1.1	1.2	1.2	1.4
<b>Operational EBIT by Business Areas</b>								
Electronics	0.7	0.6	1.3	1.5	1.1	0.9	1.4	1.5
Technical Trade	0.8	1.6	1.7	1.8	1.0	1.7	1.7	1.7
Heavy Machines	0.1	0.6	0.3	0.2	0.1	0.4	0.3	0.4
Other operations								
<b>Operational EBIT margin by Business Areas</b>								
Electronics	6%	4%	8%	8%	6%	6%	8%	8%
Technical Trade	7%	13%	12%	12%	8%	13%	13%	12%
Heavy Machines	2%	5%	2%	2%	1%	3%	3%	4%
<b>Gross margin</b>	<b>25.9%</b>	<b>25.2%</b>	<b>24.2%</b>	<b>25.0%</b>	<b>25.3%</b>	<b>25.8%</b>	<b>26.2%</b>	<b>26.3%</b>
<b>Operational EBIT margin</b>	<b>4.0%</b>	<b>5.8%</b>	<b>6.8%</b>	<b>6.8%</b>	<b>4.4%</b>	<b>6.1%</b>	<b>7.3%</b>	<b>7.1%</b>
EBIT-margin	1.9%	4.5%	5.5%	5.7%	3.1%	4.9%	6.2%	6.0%
<b>Growth contributors</b>								
Organic	5%	19%	25%	3%	5%	1%	0%	-2%
Inorganic	28%	16%	25%	16%	16%	4%	1%	0%
FX	0%	-1%	0%	-1%	0%	-1%	0%	0%
<b>Total</b>	<b>33%</b>	<b>34%</b>	<b>50%</b>	<b>17%</b>	<b>21%</b>	<b>4%</b>	<b>0%</b>	<b>-2%</b>

1) Continued operations 2021 and 2022

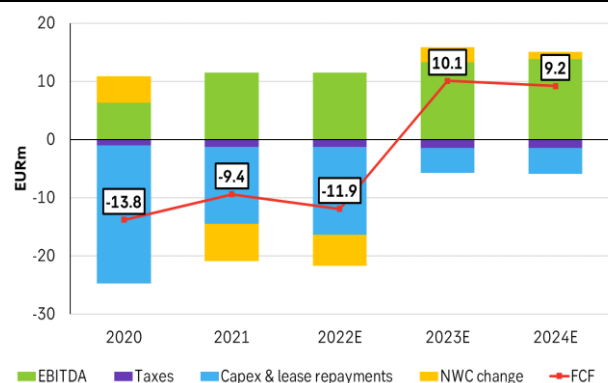
Source: SEB.

**Annual estimates (EURm, %)**

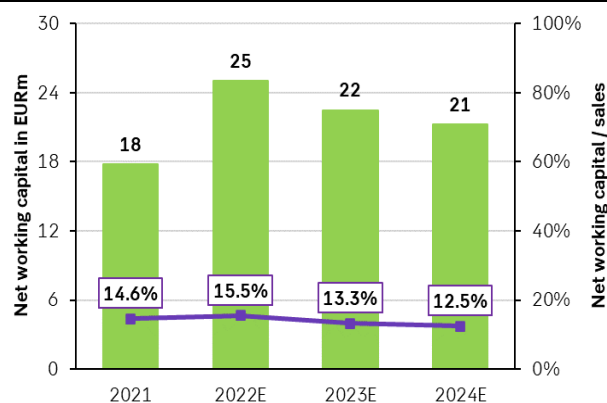
	2018	2019	2020	2021	2022E	2023E	2024E	2025E
<b>Net sales</b>	<b>57.2</b>	<b>59.9</b>	<b>97.5</b>	<b>122.0</b>	<b>161.4</b>	<b>168.9</b>	<b>170.1</b>	<b>180.2</b>
Other operating income	0.0	0.0	0.3	1.5	0.4	0.2	0.2	0.2
COGS	-41.3	-43.5	-71.5	-91.5	-121.3	-125.1	-125.1	-132.1
<b>Gross profit</b>	<b>16.0</b>	<b>16.4</b>	<b>26.3</b>	<b>32.0</b>	<b>40.4</b>	<b>44.0</b>	<b>45.2</b>	<b>48.3</b>
Employee expenses	-8.3	-8.8	-14.0	-15.5	-19.5	-20.7	-21.1	-21.8
Other operating expenses	-3.6	-3.1	-6.0	-7.8	-9.5	-10.2	-10.4	-10.7
Share of result from associates	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
<b>EBITDA</b>	<b>4.1</b>	<b>4.5</b>	<b>6.3</b>	<b>8.7</b>	<b>11.5</b>	<b>13.3</b>	<b>13.9</b>	<b>16.0</b>
Depreciations & amortisations	-0.6	-1.0	-2.0	-2.9	-4.2	-4.7	-4.8	-3.8
<b>EBIT</b>	<b>3.5</b>	<b>3.5</b>	<b>4.3</b>	<b>5.8</b>	<b>7.3</b>	<b>8.6</b>	<b>9.1</b>	<b>12.3</b>
Net financials	0.0	-0.2	-0.7	-1.2	-0.8	-1.5	-1.8	-1.8
PTP	3.6	3.3	3.6	4.6	6.5	7.2	7.3	10.5
Taxes	-0.7	-0.6	-1.0	-0.7	-1.3	-1.4	-1.5	-2.1
<b>Net profit</b>	<b>2.9</b>	<b>2.6</b>	<b>2.7</b>	<b>3.9</b>	<b>5.3</b>	<b>5.7</b>	<b>5.8</b>	<b>8.4</b>
Profit for the period, discontinued operations	0.0	0.0	0.0	1.6	-5.2	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	5.5	0.1	5.7	5.8	8.4
Minority interest	0.3	0.3	0.4	0.3	-0.4	0.2	0.2	0.3
<b>Net profit for shareholders</b>	<b>2.6</b>	<b>2.3</b>	<b>2.3</b>	<b>5.2</b>	<b>0.6</b>	<b>5.5</b>	<b>5.6</b>	<b>8.1</b>
<b>Operational EPS (continued operations)</b>		<b>0.90</b>	<b>1.54</b>	<b>1.86</b>	<b>2.22</b>	<b>2.20</b>	<b>2.24</b>	<b>2.70</b>
Reported EPS (continued operations)	1.00	0.90	0.91	1.40	1.53	1.60	1.64	2.55
Operational EBIT	<b>3.5</b>	<b>3.5</b>	<b>5.9</b>	<b>7.2</b>	<b>9.6</b>	<b>10.6</b>	<b>11.1</b>	<b>12.8</b>
Operational EBIT growth					<b>33%</b>	<b>11%</b>	<b>5%</b>	<b>15%</b>
Rolling 12m ROCE				<b>13%</b>	<b>10.9%</b>	<b>11.4%</b>	<b>11.7%</b>	<b>12.7%</b>
<b>Sales by Business Area</b>								
Electronics				43.4	61.4	70.3	72.7	76.4
Technical Trade				45.6	52.1	54.1	52.7	55.3
Heavy Machines				29.7	43.2	39.6	39.4	42.9
Other operations				3.4	4.7	5.0	5.3	5.6
<b>Operational EBIT by Business Areas</b>								
Electronics				3.2	4.1	4.9	5.3	5.9
Technical Trade				4.0	5.9	6.1	5.8	6.3
Heavy Machines				1.2	1.3	1.2	1.3	1.8
Other operations								
<b>Operational EBIT margin by Business Areas</b>								
Electronics				7%	7%	7%	7%	8%
Technical Trade				9%	11%	11%	11%	11%
Heavy Machines				4%	3%	3%	3%	4%
<b>Gross margin</b>	<b>27.9%</b>	<b>27.4%</b>	<b>27.0%</b>	<b>26.2%</b>	<b>25.0%</b>	<b>26.0%</b>	<b>26.5%</b>	<b>26.7%</b>
<b>Operational EBIT margin</b>	<b>6.2%</b>	<b>5.8%</b>	<b>6.1%</b>	<b>5.9%</b>	<b>5.9%</b>	<b>6.3%</b>	<b>6.5%</b>	<b>7.1%</b>
EBIT-margin	6.2%	5.8%	4.4%	4.8%	4.5%	5.1%	5.4%	6.8%

1) Continued operations 2021 and 2022

Source: SEB.

**Simplified free cash flow**

Source: SEB

**NWC development<sup>1</sup>**

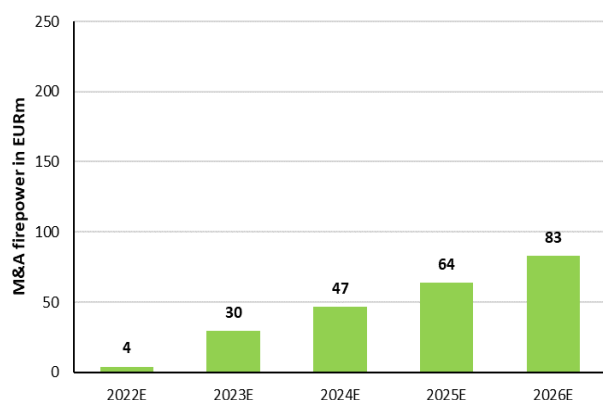
1) 2021 adjusted for continuing operations

Source: SEB.

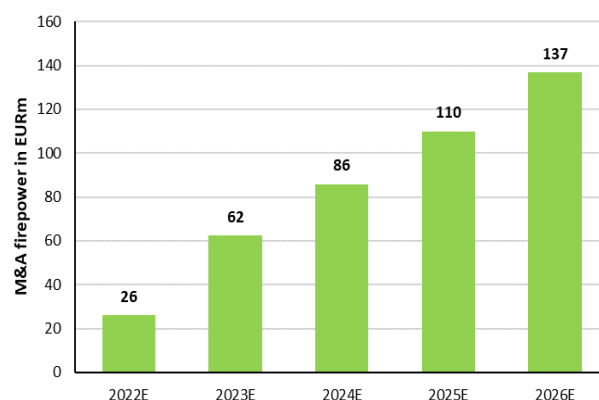
**M&A firepower**

Acquisitions are an integral part of Boreo's value creation strategy. Hence, we find it relevant to illustrate Boreo's M&A potential. Boreo targets leverage of 2-3x operational EBITDA.

Based on our organic growth, profitability and net debt estimates, Boreo would have EUR 83m in M&A firepower by 2026 by acquiring companies at 4.5x ND/EBITDA and having 2.5x leverage. This would enable a 27% operational EBITDA CAGR during 2022-26. The firepower grows significantly with 3x leverage to EUR 137m. Our illustration does not include margin improvement beyond what is included in our official estimates as a result of acquisitions., nor does it include margin improvement in addition to that included in our official estimates as a result of acquisitions. However, improved relative profitability would increase M&A firepower.

**M&A firepower illustration at 2.5x ND/EBITDA**

Source: SEB

**M&A firepower illustration at 3.0x ND/EBITDA**

Source: SEB



# Risks

*This section is based on SEB analysis.*

## **Short track record of developing portfolio companies and success in onboarding**

Boreo has a short track record of demonstrating that it can add value to the companies it acquires. Boreo aims to make several acquisitions, which may lead to increased leverage and emphasises the importance of successful onboarding.

## **Fluctuations in end-user markets**

Boreo supplies its products to cyclical industries such as construction and capital goods, with consequent risks to Boreo's cash flow.

## **Inventory and supply chain management**

Because Boreo aims to invest the cash flow from companies internally or externally to the most attractive targets, it is important that working capital management is successful. Many of Boreo's portfolio companies work as distributors that have been struggling with availability because of global component shortages. This has forced companies to keep higher inventories. If too many resources are stuck in inventory, it restricts Boreo's ability to invest in new acquisition targets.

## **Loss of key employees**

Boreo acquires companies that often are small and possibly dependent on their former entrepreneurs, which creates key-person risk.

## **Loss of key brands**

Many Boreo's portfolio companies sell the products of well-known global brands in Nordic markets. The loss of any of these brands could be bad news.

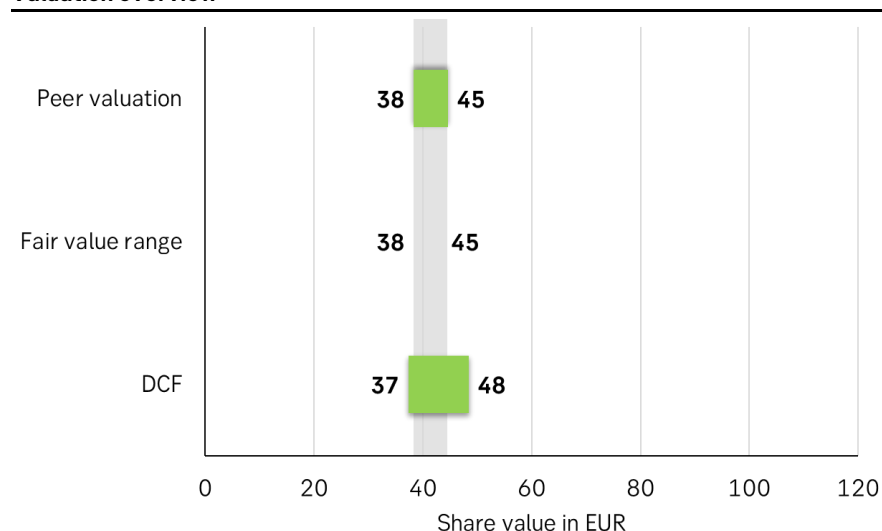
## **Goodwill testing**

Goodwill is the largest single item of Boreo's assets in the balance sheet. Boreo has been testing goodwill at a WACC of 5.2%. Given the rising interest rates, we find this level low, which increases the risk of potential goodwill write-offs.

# Valuation

We estimate fair value for Boreo at EUR 38-45 per share based on DCF and peer group valuation. Our DCF analysis yields a valuation range of EUR 37-48 including M&A sensitivity and the peer group valuation range is EUR 38-45. The fair value range uses the higher value of the lower-end of the peer valuation and DCF valuation ranges and the lower value of the upper end of these ranges.

## Valuation overview



Source: SEB

## DCF valuation

We employ a two-stage approach in our DCF valuation. We believe that the base DCF value (EUR 37) effectively illustrates the value of current operations and acquisition made so far. However, future acquisitions are an integral part of Boreo's value-creation strategy. Thus, we illustrate the value of the M&A pipeline by utilising our estimate for M&A firepower during 2022-26 of 2.5x ND/operational EBITDA and acquisitions of 4.5x EV/EBITDA. We apply a WACC of 8.7% to the base business DCF value and of 11.5% to the M&A pipeline due to higher uncertainty. In our base case DCF assumptions, depreciation to sales declines over time after PPA amortisation gets smaller, whereas depreciation to sales are higher for the M&A pipeline DCF. Otherwise, the assumptions relating to e.g., growth, EBITDA margin and NWC/sales remain similar to our base case DCF; we expect acquisitions to generate some negative cash flow from NWC change to be conservative. Thus, in our M&A DCF we illustrate purely the impact of acquisitions at given leverage and acquisition multiple level and not operational improvement as a result of acquisitions. Operational improvement (in addition to our base case estimates) as a result of acquisitions would naturally increase the valuation. Our base case DCF indicates share value EUR 37 and combination of base case and M&A pipeline DCF value of EUR 48.

**Base case DCF assumptions**

(EURm)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Terminal
Net sales	161	169	170	180	188	195	203	211	218	224	229
<b>EBITDA</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>16</b>	<b>17</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>21</b>
Depreciation & amortisation	-4	-5	-5	-4	-3	-4	-4	-4	-4	-4	-4
<b>EBIT</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>17</b>
Margin (%)	4.5%	5.1%	5.4%	6.8%	7.5%	7.7%	7.7%	7.7%	7.7%	7.7%	7.4%
Tax	-1	-2	-2	-2	-3	-3	-3	-3	-3	-3	-3
Capex and cap R&D	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-3
of sales	-1.2%	-1.3%	-1.3%	-1.3%	-1.3%	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%
Lease repayments	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	-3
NWC	25	22	21	22	23	23	24	25	26	27	27
Of sales	16%	13%	13%	12%	12%	12%	12%	12%	12%	12%	12%
NWC change	-5	3	1	0	-1	-1	-1	-1	-1	-1	-1
<b>FCF</b>	<b>1</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>
NPV FCF	0	9	8	7	7	7	7	6	6	6	
Accumulated NPV of FCF	0	9	17	24	31	38	44	50	57	62	

Source: SEB

**Base case DCF assumptions**

WACC	8.7%
Terminal growth	2%
Terminal value	177
NPV of terminal value	86
2022-31E FCF NPV	62
EV	149
Net debt 2022E excl. lease liabilities	27.4
Hybrid loan	20.0
Minority interest	1.7
<b>Equity value (EURm)</b>	<b>99.4</b>

**Share value (EUR)****37**

Source: SEB

**Illustrative M&A pipeline DCF assumptions**

(EURm)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Terminal
Net sales	13	84	127	159	199	207	215	224	231	238	243
<b>EBITDA</b>	<b>1</b>	<b>7</b>	<b>10</b>	<b>14</b>	<b>18</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>22</b>
Depreciation & amortisation	0	-2	-4	-4	-5	-5	-5	-5	-6	-6	-5
<b>EBIT</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>10</b>	<b>13</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>18</b>
Tax	0	-1	-1	-2	-3	-3	-3	-3	-3	-3	-4
of EBIT	-20%	-20%	-20%	-20%	-20%	-20%	-20%	-20%	-20%	-20%	-20%
Capex and cap R&D	-4.2	-26.7	-18.6	-19.4	-21.7	-2.3	-2.4	-2.5	-2.5	-2.6	-2.7
of sales	-33.4%	-31.9%	-14.6%	-12.2%	-10.9%	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%
Lease repayments	0	-1	-2	-2	-2	-2	-3	-3	-3	-3	-3
NWC	2	11	16	19	24	25	26	27	28	29	29
Of sales	16%	13%	13%	12%	12%	12%	12%	12%	12%	12%	12%
NWC change		-5	-2	-2	-2	-1	-1	-1	-1	-1	-1
<b>FCF</b>	<b>-4</b>	<b>-27</b>	<b>-14</b>	<b>-11</b>	<b>-11</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>13</b>
NPV FCF	0	-25	-11	-8	-7	7	6	6	5	5	
Accumulated NPV of FCF	0	-25	-36	-44	-51	-45	-39	-33	-27	-22	

Source: SEB

**M&A pipeline DCF assumptions**

M&A pipeline WACC	11.5%
Terminal growth	2.0%
M&A pipeline: terminal value	133
M&A pipeline: terminal value NPV	52
M&A pipeline: 2022-31E FCF NPV	-22
M&A pipeline: EV	29
Combined base case and M&A pipeline EV	178
Net debt 2022E excl. lease liabilities	27
Hybrid loan	20
Minority interest	2
Equity value (EURm)	129
<b>Share value (EUR)</b>	<b>48</b>

Source: SEB

Valuation multiples are essential in Boreo's value creation story. As illustrated below, we believe that Boreo can create value with acquisitions at EV/EBITDA multiples of 4.5x, roughly in line with Boreo's historical acquisition multiples. Value creation increases notably at lower acquisition multiples and at higher leverage. We have not included any margin improvement from the acquisition pipeline, but this would be visibly positive for valuation.

**Combined base case and M&A pipeline DCF sensitivity**

	Share value (EUR)	Leverage (ND/EBITDA)		
		2	2.5	3
Acquisition EV/EBITDA (x)	4	46	56	83
	4.5	43	<b>48</b>	64
	5	41	44	55

Source: SEB

**Peer group valuation**

Our peer group valuation range is based on the EV/ adj. EBITA multiples of the broader Nordic serial acquirer peer group (described in the peer group profiles section of this report). The portfolios of all these companies do not correspond perfectly with that of Boreo, but we find the median multiples to be relevant. We use 2023E peer group multiples as the acquisition impact is not completely included in the 2022 financials. We note that Boreo ROCE and profitability is currently somewhat weaker than most of its serial acquirer peers and that it has a shorter track record of acquisitions. Thus, our peer group valuation is based on a range of median multiple and median multiples with a 10% discount. This yields 2023E EV/EBITA of 15.0x and 13.5x, respectively, roughly in the same range as OEM International, Momentum Group and Bergman & Beving (according to SEB and Refinitiv estimates), which we see as particularly suitable peers for Boreo given their similar industry exposure. We have included some distribution companies in our peer table as well to provide a picture of the valuations for distribution companies that do not have a serial acquirer strategy. We note that the distribution company valuations are notably lower than those of the serial acquirers. However, the value creation model is different for these companies, and thus we do not find it relevant to compare Boreo's valuation to those.

## Peer group valuation

	Mkt cap (EURm)	EV (EURm)	Perf				EV/Sales			EV/EBITA			EV/EBIT			PER			Sales growth			EBITA margin			ROCE		
			1m	3m	12m	YTD	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
OEM International	8,730	9,101	14	-22	-39	-31	2.0	2.0	1.8	12.7	15.8	13.2	13.3	16.9	14.0	15.4	20.4	17.8	22.0	-6.9	5.0	15.5	12.6	13.7	39.2	23.1	23.3
Bergman & Bev.	234	398	14	-3	-40	-34	0.9	0.9	0.8	n.a.	11.6	9.8	14.0	12.7	11.1	10.5	10.8	10.0	6.7	3.7	1.7	n.a.	7.7	8.3	-	8.2	8.6
Addtech	3,563	3,847	14	-12	-28	-30	3.0	2.5	2.4	23.9	19.0	19.2	28.9	22.6	22.9	38.7	30.5	33.8	21.3	27.2	2.7	12.7	12.9	12.3	20.8	20.3	19.1
Indutrade	7,337	7,858	25	-8	-16	-20	3.2	3.0	2.9	21.3	20.8	18.8	23.4	23.6	21.8	29.2	30.8	28.5	22.4	3.1	3.4	15.1	14.5	15.2	21.1	19.1	19.3
Lifco	7,138	7,672	21	-3	-33	-32	3.9	3.8	3.6	18.4	19.8	18.1	21.6	23.6	21.4	29.8	33.7	31.0	21.7	-0.9	3.2	21.3	19.4	20.0	20.8	17.3	17.8
Beijer Alma	821	973	10	-18	-33	-39	1.7	1.7	1.6	11.6	11.7	10.5	12.4	12.1	11.2	13.4	15.7	13.8	32.9	-1.2	5.4	15.0	14.5	15.5	13.7	12.0	12.4
Beijer Ref	5,718	6,300	26	14	-7	-11	3.1	2.7	2.5	31.7	25.1	21.8	32.3	26.4	23.7	45.8	37.2	33.5	32.4	12.8	6.8	9.6	10.6	11.3	16.4	17.2	17.7
Bufab	805	1,134	7	-21	-43	-48	1.5	1.4	1.3	12.6	12.5	11.5	14.4	13.5	12.4	15.6	15.0	13.8	43.9	-0.5	3.4	11.5	11.3	11.5	18.3	13.3	15.2
Volati	791	970	-2	-30	-57	-57	1.4	1.3	1.2	14.5	14.0	12.5	14.9	14.1	12.0	17.4	19.3	17.3	23.1	1.0	5.0	9.3	9.3	9.6	18.0	16.0	17.0
Sdiptech	792	1,045	25	-8	-46	-47	3.3	2.8	2.5	18.9	16.9	12.3	18.9	16.1	13.6	22.4	19.2	15.6	25.8	16.5	11.8	17.5	16.8	20.5	10.7	10.8	11.1
Storskogen	1,259	2,436	22	-40	-82	-85	0.8	0.7	0.6	8.7	8.1	6.7	11.0	10.2	8.2	8.7	8.8	7.6	89.7	6.7	4.1	9.1	8.7	9.2	7.7	7.2	8.4
Aspo	271	374	16	8	-23	-19	0.6	0.6	0.6	9.0	8.6	7.4	9.6	8.9	7.8	10.6	8.9	8.0	11.3	-4.3	4.9	6.5	7.4	7.6	17.1	13.7	14.2
Lagercrantz	2,024	2,161	39	9	-11	-16	4.4	3.5	3.2	27.3	26.0	24.7	30.9	23.9	22.7	40.5	30.5	30.2	30.4	30.7	6.5	16.1	13.3	12.9	21.5	20.2	19.1
Momentum Gr.	267	281	2	1	-28	-28	1.8	1.7	1.6	15.2	14.3	13.4	16.1	15.2	14.3	18.4	18.5	18.4	14.4	0.6	1.0	n.a.	n.a.	n.a.	-	-	-
<b>Median</b>	<b>1,040</b>	<b>1,648</b>	<b>15</b>	<b>-8</b>	<b>-33</b>	<b>-31</b>	<b>1.9</b>	<b>1.8</b>	<b>1.7</b>	<b>15.2</b>	<b>15.0</b>	<b>12.9</b>	<b>15.5</b>	<b>15.6</b>	<b>13.8</b>	<b>17.9</b>	<b>19.2</b>	<b>17.6</b>	<b>22.7</b>	<b>2.0</b>	<b>4.5</b>	<b>13.8</b>	<b>12.6</b>	<b>12.3</b>	<b>18.1</b>	<b>16.0</b>	<b>17.0</b>
<b>Average</b>	<b>2,839</b>	<b>3,182</b>	<b>17</b>	<b>-10</b>	<b>-35</b>	<b>-36</b>	<b>2.3</b>	<b>2.0</b>	<b>1.9</b>	<b>17.4</b>	<b>16.0</b>	<b>14.3</b>	<b>18.7</b>	<b>17.1</b>	<b>15.5</b>	<b>22.6</b>	<b>21.4</b>	<b>19.9</b>	<b>28.4</b>	<b>6.3</b>	<b>4.6</b>	<b>13.3</b>	<b>12.2</b>	<b>12.9</b>	<b>18.8</b>	<b>15.3</b>	<b>15.6</b>
<b>Boreo (SEBe)</b>	<b>116</b>	<b>169</b>	<b>37</b>	<b>-5</b>	<b>-40</b>	<b>-26</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>17.2</b>	<b>14.7</b>	<b>13.5</b>	<b>17.6</b>	<b>15.2</b>	<b>14.0</b>	<b>19.7</b>	<b>19.9</b>	<b>19.5</b>	<b>31.1</b>	<b>4.6</b>	<b>0.7</b>	<b>6.1</b>	<b>6.5</b>	<b>6.7</b>	<b>10.9</b>	<b>11.4</b>	<b>11.6</b>
<b>Distribution companies</b>																											
Christian Berner	35	48	18	-5	-36	-34	0.6	0.6	0.6	10.4	9.3	7.5	11.1	9.3	7.5	13.6	10.5	8.7	8.0	2.0	3.0	6.2	6.4	7.4	9.4	10.4	11.9
Rexel	5,784	7,835	16	7	9	10	0.4	0.4	0.4	6.1	6.9	6.4	6.2	7.0	6.3	6.9	8.7	7.8	24.6	-0.9	4.2	7.0	6.0	6.1	12.7	10.2	10.5

Source: SEB, Refinitiv

## Peer group valuation

EV/EBITA Multiple		Earnings		EV		Net debt, hybrid & minority interest		Equity value		Share value	
Base case	10% discount	Adj. EBITA		Base case	10% discount			Base case	10% discount	Base case	10% discount
15.0	13.5	11.0		166	149	47		119	102	45	38

Source: SEB

Valuation levels in the peer group have declined significantly since peaking in 2021. However, valuation has recently been rebounding from the bottom.

Peer group median valuation development<sup>1</sup>

<sup>1</sup> Sample includes Bergman & Beving, Addtech, Indutrade, Lifco, Beijer Alma, Beijer Ref, Bufab, Volati, Sdiptech, Aspo and Lagercrantz  
Source: Refinitiv.

# Management and board

## Management team



**Kari Nerg**  
CEO (2020-)  
M.Sc. in Agriculture and Forestry, CEFA  
**Selected experience:**

- Head of Nordics and UK, Mutaress SE & Co.
- COO, Häggblom & Partners



**Aku Rumpunen**  
CFO (2020-)  
M.Sc. in Economics, M.Sc. in Geography  
**Selected experience:**

- CFO and Management team member, Cramo
- Financial manager & Business control roles, YIT



**Mari Katara**  
SVP, Group HR (2020-)  
M.Sc. in Economics  
**Selected experience:**

- HR Manager, Head HR Management team member, OP, Pohjola Hospitals
- HR manager, Management team member LänsiAuto



**Jesse Petäjä**  
SVP, M&A (2021-)  
M.Sc. in Economics  
**Selected experience:**

- Manager, Mutaress SE & Co.
- CEO, Petäjä Group
- Investment Banking Analyst, Citigroup



**Janne Silvennoinen** *Head of Technical Trade (2020-)*  
M.Sc. in Engineering and Economics  
**Selected experience:**

- Former CEO of Yleiselektronikka
- BA head, Kontram Oy



**Richard Karlsson**  
*Head of Heavy Machines (2021-)*  
Lieutenant  
**Selected experience:**

- Former entrepreneur & CEO of PM Nordic
- Lieutenant of Swedish defence forces
- CEO, Elephant Group AB



**Tomi Sundberg**  
*Head of Electronics & SVP, Development (2021-)*  
M.Sc. in Economics  
**Selected experience:**

- CEO, Storent
- Head of new Businesses, Business Development, Cramo

Source: Boreo

## Board of Directors



**Simon Hallqvist | Chairman of the Board**

- **Elected to Board:** 2019
- **Main Occupation:** Partner at Preato Capital AB
- **Experience:** Founding Partner at Preato Capital AB, Investment Director at Argnor Wireless, Account Manager at Oracle Finland Oy



**Michaela Von Wendt | Board Member**

- **Elected to Board:** 2018
- **Main Occupation:** CEO at Lundia Oy
- **Experience:** Country Manager at Universum



**Camilla Grönholm | Chair of the Board**

- **Elected to Board:** 2020
- **Main Occupation:** Chair of Remuneration & Nomination Committee at Boreo Board
- **Experience:** CHRO at ROCKWOOL International A/S, CHRO at Pöyry Oyj, HR Director at Nokia



**Juhani Mykkänen | Board Member**

- **Elected to Board:** 2022
- **Main Occupation:** Co-Founder at Wolt
- **Experience:** Co-Founder at Wolt, reporter & columnist at Helsingin Sanomat



**Jouni Grönroos | Chair of Audit committee**

- **Elected to Board:** 2020
- **Main Occupation:** CFO of Fazer
- **Experience:** CFO at Rapala VMC Oy, CFO at AvestaPolarit Oy, Vice President at Outokumpu Oy, Accountant at KPMG



**Ralf Holmlund | Board member**

- **Elected to Board:** 2020
- **Main Occupation:** Board professional at e.g., Boreo Oy, Carspect Ab, Telko Ltd, and Örum Oy Ab
- **Experience:** Managerial positions at ESSO, CEO at Suomen Lähikauppa Oy, Board professional

Source: Boreo

# SEAM (SEB's ESG Assessment Methodology)

We analyse Boreo's sustainability and responsibility in terms of SEB's ESG Assessment Methodology (SEAM). The SEAM approach aims to capture the most material ESG issues that are affecting (and will affect) the company, sector, and operating environment. In Boreo's case, we think that the most relevant ESG categories are:

**Climate-related impact – products and services:** Boreo supplies machines and components that generate greenhouse emissions, including for example combustion engine generators and excavators. However, Boreo operates as a distributor and its own operations do not increase emissions either in supply chain or end use. On the other hand, Boreo promotes repairing machines and sells used machines. Boreo also offers hybrid machinery to e.g., construction industry.

**Societal ESG impact:** Boreo acquires SME companies and lets them operate independently. This offers possibly companies with ageing entrepreneur and no successor to continue operation, preserving workplaces.

**Human capital:** One of Boreo's key strategic focus points is to offer career paths and development opportunities for its employees. Portfolio companies might not have that wide resources to train the employees if they were not part of Boreo, and career progression opportunities might be more limited, whereas part of Boreo the employees can enjoy group-level training resources and career opportunities inside the group.

**Ethical business:** Boreo acquires SME companies with smaller operations. The acquired companies may have less advanced governance and reporting functions, which Boreo aims to improve.

**SEAM methodology: example of issue categories and methodology, not related to Boreo**

	ISSUE CATEGORY	EXAMPLES OF MATERIAL ISSUES USED IN OUR SEAM ASSESSMENTS
ENVIRONMENT	Greenhouse Gas emissions - own operations	<ol style="list-style-type: none"> <li>Cost of reducing emission/ buying CO2 allowances</li> <li>Increased flight costs i.e. increasing cost to mitigate emissions from distributing products by air</li> </ol>
	Climate related impact - products/services	<ol style="list-style-type: none"> <li>Reducing food waste is of high importance to reduce GHG emissions from the agriculture sector</li> <li>Mine electrification to add 3% to equipment ASP</li> </ol>
	Emissions, Effluents, Waste excl Greenhouse Gas	<ol style="list-style-type: none"> <li>Food packaging is recyclable and biodegradable where possible.</li> <li>Higher demand for dry tailings and process water treatment solutions</li> </ol>
	Land Use and Biodiversity	<ol style="list-style-type: none"> <li>Potential requirements of increased forestland set-asides (assume 5%)</li> <li>Impact on surrounding nature by placing of wind turbines nearby</li> </ol>
	Physical Climate Exposure	<ol style="list-style-type: none"> <li>Global warming and impact on winter tyre demand (70% of volumes)</li> <li>Changes in precipitation patterns, soil content and heat patterns could affect tobacco suppliers</li> </ol>
SOCIAL	Community Relations	<ol style="list-style-type: none"> <li>Trade-off between charity (Tryg Fonden) and client dividend</li> <li>Mine investments opposed by local communities, negative for expansion projects</li> </ol>
	Cyber Privacy and Security	<ol style="list-style-type: none"> <li>IT investments needed to reshape the business model and to safeguard client data</li> <li>With 1 million connected vehicles there is growing risk of customer data security breaches</li> </ol>
	Societal ESG Impacts	<ol style="list-style-type: none"> <li>Increased automation increases health and safety of mine employees</li> <li>Cigarette users going over to snus or nicotine products with lower health effects</li> </ol>
	Human Capital	<ol style="list-style-type: none"> <li>Continuous operation streamlining may lead into strike action by various employee groups</li> <li>Attractive workplace for skilled talent</li> </ol>
	Political Risk	<ol style="list-style-type: none"> <li>Political sensitivity could motivate higher equity risk premium and/or impact cost of capital</li> <li>Depending on the political landscape, private healthcare can be impacted by SOTE reforms</li> </ol>
GOVERNANCE	Bribery and Corruption	<ol style="list-style-type: none"> <li>Persisting risk of future ethical (bribery) breaches</li> <li>Company has historically displayed anti-competitive behavior and is involved in lawsuits now</li> </ol>
	ESG Integration in Financial Services	<ol style="list-style-type: none"> <li>Risk of buying loans with poor end-borrower ESG risk/reward</li> <li>Debt financing and equity risk premium affected by Taxonomy eligible investments and business</li> </ol>
	Ethical business	<ol style="list-style-type: none"> <li>Evergreening or attempts to prevent smaller players from entering the market may lead to fines</li> <li>Investors may choose to not invest in the equity or debt instruments or higher risk premium</li> </ol>
	Human Rights	<ol style="list-style-type: none"> <li>Customers' operations located in conflict areas</li> <li>Use of company's products in potential violation of human rights</li> </ol>
	Supply Chain Management	<ol style="list-style-type: none"> <li>Disruption could occur due to extreme weather, social unrest, virus outbreaks</li> <li>Competition for sustainable and ethical materials increase unit costs and thus lower demand</li> </ol>
	Major Shareholder Conflict of Interest	<ol style="list-style-type: none"> <li>Voting power is held by parties that sell raw materials to the company</li> <li>Major shareholder is unlikely to ever sell their holdings in the company</li> </ol>

Source: SEB



## Boreo

Country: Finland Sector: Industrial Sales Enterprise value (yr end): EUR 0.2bn Mid-point Equity Valuation: EUR 0.0bn

### ESG impact on NPV (as % of enterprise valuation)

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

### ESG impact on NPV (as % of equity valuation)






Total impact over time	n.m.
of which:	
- impact reflected in mid-point equity valuation	n.m.
- impact yet-to-be reflected in mid-point equity valuation	n.m.

In our view, ESG factors will be overall positive to the company's financial value over time, with the impact increasing during the next 10 years. The most material ESG factors (sub-issues) are improving portfolio companies' reporting and governance functions, offering development opportunities for employees. It distributes both combustion hybrid machines. We believe that most of the key ESG factors could be manageable by the company. For those manageable factors, we believe that the company's current approach is optimal. Our mid-point equity valuation fully reflects the ESG impact. In our view, the company's revenues are not addressed by EU taxonomy technical assessment criteria. From a responsibility perspective, we believe that the company is managing current ESG issues to some extent. At our last update, this company was not rated by Sustainalytics.

### SEB ESG Financial Assessment ("SEFA")

	0-3 yrs	4-10+ yrs
SEFA overall assessment (qualitative):		

#### Most material issues from a financial performance and value perspective (SEB view)

<b>Climate related impact - products/services</b>		
A Boreo offers repairing services and sells used equipment		
B Boreo distributes (but don't manufacture) machines generating emissions, but also hybrid machines		
<b>Human Capital</b>		
C Boreo offers development opportunities for acquired companies that they would not have independently		
<b>Other Societal ESG Impacts</b>		
D Boreo acquires SME's and improves their reporting, increasing traceability but requires investment		

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

	NPV/EV (%)	Impact on Sales CAGR (%pa)	
A Boreo offers repairing services and sells used equipment	1	0	0
B Boreo distributes (but don't manufacture) machines generating emissions, but also hybrid machines	1	0	0
C Boreo offers development opportunities for acquired companies that they would not have independently	0	0	0
<b>Sub-total</b>	<b>2</b>	<b>0</b>	<b>1</b>





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

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

**Grand total of impacts (% NPV/EV) 2**

## Boreo (cont.)

### SEB ESG Responsibility Assessment ("SERA")

	0-3 yrs	4-10+ yrs
SERA overall assessment (qualitative):		
Key concern responsibility issues (SEB view)		
Other Societal ESG Impacts		
Boreo acquires SMEs, offering possibly for companies with ageing entrepreneur preserve workplaces		

### Sustainability governance information

Commitment to Paris Accord (e.g. approved science based targets)	No
CEO participation in Sustainability Committee	No
CEO remuneration linked to delivery of sustainability goals and reporting	No
Ultimate Responsible for Sustainability	Head of HR
Is Ultimate Responsible a member of the company's top management committee?	Yes

Last updated: 2022-11-15

# 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 headquartered in Vantaa, Finland. Its operations are divided into three areas: 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. After that, Boreo 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.

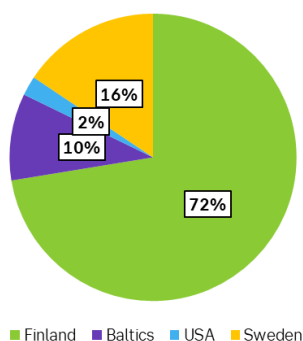
## Valuation approach

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

## Investment risks

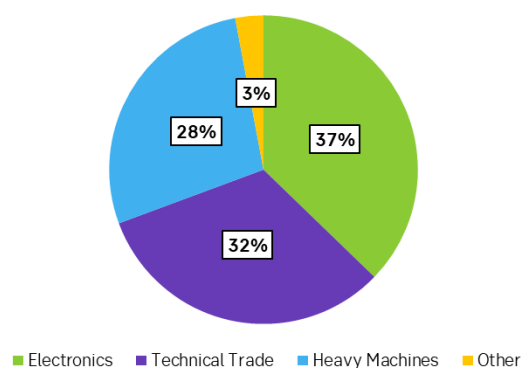
Boreo has a short track record of successfully onboarding and developing portfolio companies. It is exposed to several cyclical end-markets. Solid cash flow generation is important for Boreo so that cash flows can be invested, which emphasizes inventory management. Key employees and key represented brands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

## Revenues by region (Q1-Q3/2022)

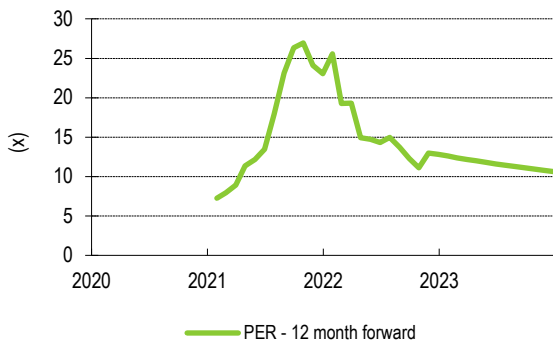


Source: SEB

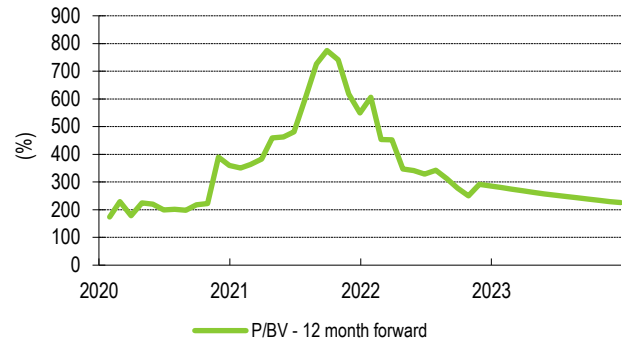
## Revenues by Business Areas (Q1-Q3/2022)



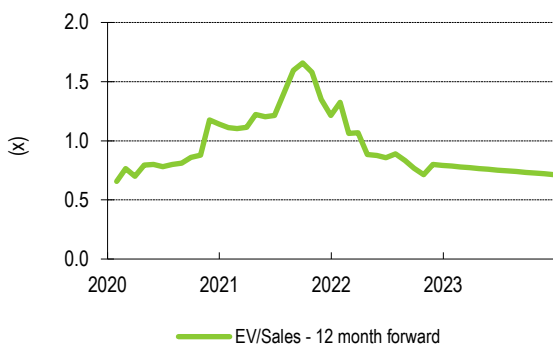
Source: SEB

**PER - 12 month forward**

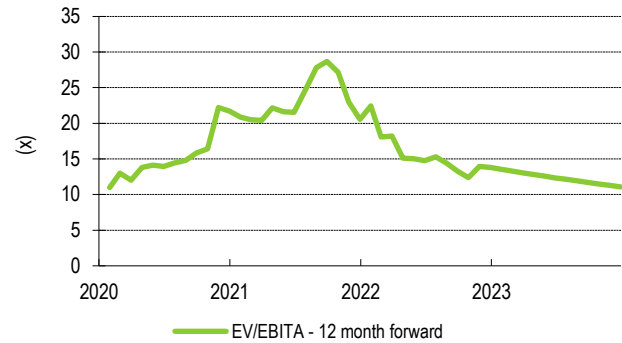
Source: SEB

**P/BV - 12 month forward**

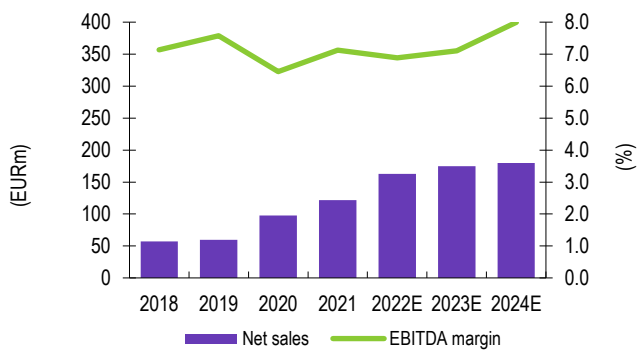
Source: SEB

**EV/Sales - 12 month forward**

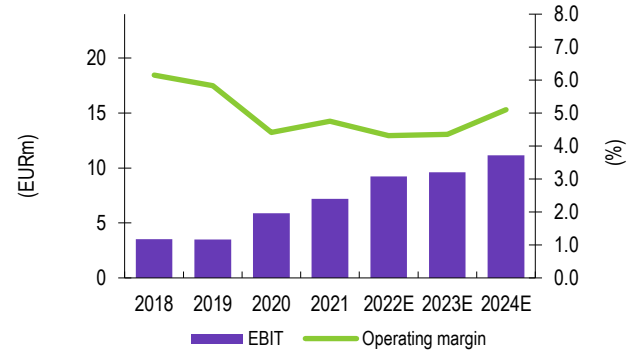
Source: SEB

**EV/EBITA - 12 month forward**

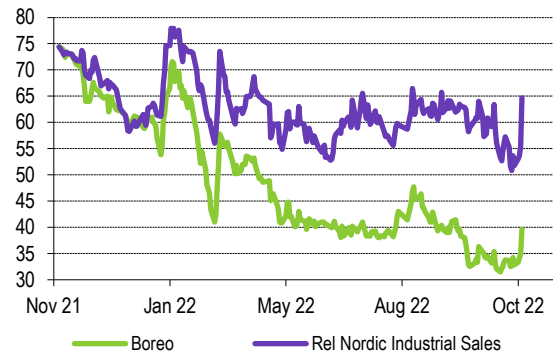
Source: SEB

**Net sales & EBITDA margin**

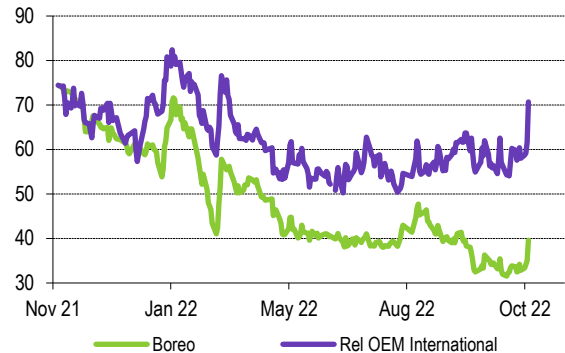
Source: SEB

**EBIT & Operating margin**

Source: SEB

**Comparison with sector index - 1 year**

Source: SIX

**Comparison with OEM International - 1 year**

Source: SIX

<b>Profit &amp; loss statement - Boreo</b>								
(EURm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net Sales	54	57	60	98	122	161	169	170
Other revenues	0	0	0	0	2	1	0	0
<b>Total revenues</b>	<b>54</b>	<b>57</b>	<b>60</b>	<b>98</b>	<b>124</b>	<b>162</b>	<b>169</b>	<b>170</b>
Total expenses	(51)	(53)	(55)	(92)	(115)	(150)	(156)	(157)
<b>Profit before depreciation</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>13</b>	<b>14</b>
Depreciation - Fixed assets	(1)	(1)	(1)	(0)	(0)	(0)	(1)	(1)
Depreciation - Other assets	0	0	0	0	0	0	0	0
Depreciation of right-of-use assets	0	0	0	(2)	(1)	(2)	(2)	(2)
Amortisation - Goodwill	0	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	(0)	(0)	(1)	(2)	(2)	(2)
<b>Operating profit</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>9</b>	<b>9</b>
Net interest expenses	0	0	(0)	(1)	(1)	(1)	(1)	(2)
Foreign exchange items	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>7</b>
Minority interests	0	0	0	0	0	0	0	0
Total taxes	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
<b>Reported profit after tax</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>6</b>
Discontinued operations	0	0	0	0	2	(5)	0	0
Extraordinary items	0	0	0	0	0	0	0	0
<b>Net Profit</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>6</b>
Adjustments:								
Discontinued operations	0	0	0	0	(2)	5	0	0
Interest on convertible debt	0	0	0	0	0	(1)	(1)	(1)
Minority interests (IFRS)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Value changes	0	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	1	2	2	2
Restructuring charges	0	0	0	0	0	0	0	0
Other adjustments	0	0	(0)	1	0	0	0	0
Tax effect of adjustments	0	0	0	0	0	(0)	(0)	(0)
<b>Adjusted profit after tax</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Margins, tax &amp; returns</b>								
Operating margin	4.6	6.2	5.8	4.4	4.8	4.5	5.1	5.4
Pre-tax margin	4.7	6.2	5.4	3.7	3.8	4.0	4.2	4.3
Tax rate	18.5	19.3	19.8	24.4	15.2	19.4	20.0	20.0
ROE	30.7	20.4	16.3	15.1	19.5	13.0	9.8	9.1
ROCE	35.0	24.0	20.7	18.5	12.6	10.8	9.7	9.7
<b>Growth rates y-o-y (%)</b>								
Total revenues	n.a.	5.2	4.6	63.3	26.3	31.1	4.6	0.7
Operating profit	n.m.	40.4	(0.8)	23.1	34.9	26.5	17.4	5.6
Pre-tax profit	n.m.	38.9	(8.4)	10.7	27.8	41.6	10.0	2.0
EPS (adjusted)	0.0	39.5	(9.8)	69.8	21.0	19.1	(0.8)	2.0

<b>Cash flow</b>								
(EURm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net profit	2	3	3	3	6	0	6	6
Non-cash adjustments	1	1	1	2	3	2	3	3
<b>Cash flow before work cap</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>8</b>	<b>2</b>	<b>8</b>	<b>8</b>
Ch. in working capital / Other	(2)	(0)	(0)	5	(6)	(5)	3	1
<b>Operating cash flow</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>2</b>	<b>(3)</b>	<b>11</b>	<b>10</b>
Capital expenditures	(1)	(1)	(0)	(23)	(14)	(2)	(2)	(2)
Asset disposals	0	0	0	1	2	(3)	0	0
L/T financial investments	0	0	0	0	0	0	0	0
Acquisitions / adjustments	0	0	0	0	0	1	0	0
<b>Free cash flow</b>	<b>(0)</b>	<b>3</b>	<b>3</b>	<b>(13)</b>	<b>(10)</b>	<b>(6)</b>	<b>9</b>	<b>7</b>
Net loan proceeds	0	(0)	(1)	16	9	(3)	0	0
Dividend paid	(1)	(1)	(1)	(0)	(1)	(1)	(1)	(1)
Share issue	0	0	0	0	0	21	0	0
Other	(5)	0	0	(6)	(3)	(2)	0	0
<b>Net change in cash</b>	<b>(6)</b>	<b>1</b>	<b>1</b>	<b>(3)</b>	<b>(5)</b>	<b>9</b>	<b>7</b>	<b>6</b>
<b>Adjustments</b>								
C/flow bef chng in work cap	3	3	4	5	8	2	8	8
Adjustments	0	0	0	0	0	0	(0)	0
Int on conv debt net of tax	0	0	0	0	0	(1)	(1)	(1)
Cash earnings	3	3	4	5	8	1	7	7
<b>Per share information</b>								
Cash earnings	1.06	1.34	1.43	1.85	3.23	0.44	2.63	2.67
Operating cash flow	0.38	1.2	1.28	3.65	0.77	(1.56)	3.58	3.13
Free cash flow	(0.14)	1.0	1.16	(5.05)	(3.81)	(2.7)	2.76	2.3
<b>Investment cover</b>								
Capex/sales (%)	2.7	0.9	0.5	23.5	11.6	1.2	1.3	1.3
Capex/depreciation (%)	241	95	43	11,450	3,525	706	404	398

Source for all data on this page: SEB

Balance sheet - Boreo								
(EURm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Cash and liquid assets	4	5	7	9	3	12	20	26
Debtors	7	8	7	10	20	27	27	26
Inventories	7	7	7	18	25	32	31	32
Other	0	0	0	0	0	0	0	0
<b>Current assets</b>	<b>18</b>	<b>20</b>	<b>21</b>	<b>37</b>	<b>47</b>	<b>71</b>	<b>78</b>	<b>84</b>
Interest bearing fixed assets	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	1	1	1
Capitalized development cost	0	0	0	0	0	0	0	0
Goodwill	1	1	1	22	29	35	35	35
Other intangibles	1	1	1	1	3	6	4	2
Right-of-use lease assets	0	0	0	0	3	3	3	3
Fixed tangible assets	2	2	3	4	15	7	9	11
Other fixed assets	0	0	0	0	0	0	0	0
<b>Fixed assets</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>28</b>	<b>50</b>	<b>52</b>	<b>52</b>	<b>52</b>
<b>Total assets</b>	<b>21</b>	<b>23</b>	<b>26</b>	<b>65</b>	<b>97</b>	<b>123</b>	<b>130</b>	<b>135</b>
Creditors	7	8	7	20	27	34	35	37
Other trade financing	0	0	0	0	0	0	0	0
S/T lease liabilities	0	0	0	0	1	1	1	1
S/T interest bearing debt	1	0	1	7	8	9	9	9
Other	0	0	0	0	0	0	0	0
<b>Current liabilities</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>26</b>	<b>36</b>	<b>44</b>	<b>46</b>	<b>47</b>
L/T interest bearing debt	1	1	2	22	34	31	31	31
L/T lease liabilities	0	0	0	0	4	4	4	4
Other long-term liabilities	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0
Other provisions	0	0	0	0	(0)	0	0	0
Deferred tax	0	0	0	0	1	2	2	2
<b>Long term liabilities</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>22</b>	<b>39</b>	<b>36</b>	<b>36</b>	<b>36</b>
Minority interests	1	1	1	1	1	2	2	2
<b>Shareholders' equity</b>	<b>12</b>	<b>13</b>	<b>15</b>	<b>16</b>	<b>21</b>	<b>41</b>	<b>46</b>	<b>50</b>
<b>Total liabilities and equity</b>	<b>21</b>	<b>23</b>	<b>26</b>	<b>65</b>	<b>97</b>	<b>123</b>	<b>130</b>	<b>135</b>
Net debt (m) *	(3)	(4)	(4)	20	45	53	45	39
Working capital (m)	7	7	7	9	18	25	22	21
Capital employed (m)	14	15	19	45	70	108	112	117
Net debt/equity (%) *	(21)	(26)	(25)	120	199	122	95	75
Net debt/EBITDA (x) *	(0.8)	(0.9)	(0.9)	2.5	4.8	4.3	3.3	2.7
Equity/total assets (%)	59	60	63	25	23	35	37	39
Interest cover	(49.1)	(110.0)	14.6	6.1	4.8	8.9	5.9	5.1

Valuation								
(EUR)	2017	2018	2019	2020	2021	2022E	2023E	2024E
No of shares, fully dil. (y/e)	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.7
No of shares, fully dil. avg.	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.7
Share price, y/e				29.4	59.0	43.7	43.7	43.7
Share price, high				34.0	133.5	71.6		
Share price, low				10.3	27.0	31.5		
Share price, avg				16.9	54.5	45.1		
EPS (reported)	0.72	1.00	0.90	0.91	1.39	1.53	1.60	1.64
EPS (adjusted)	0.72	1.00	0.90	1.54	1.86	2.21	2.20	2.24
Cash earnings/share	1.06	1.34	1.43	1.85	3.23	0.44	2.63	2.67
Dividend/share	0.32	0.33	0.00	0.40	0.42	0.44	0.48	0.49
Enterprise value/share				37	76	63	61	58
Book value/share	4.7	5.1	6.0	6.1	8.2	15.5	17.2	18.8
Adjusted equity/share	4.7	5.1	6.0	6.1	8.2	15.5	17.2	18.8
PER (adjusted)				19.1	31.7	19.7	19.9	19.5
CEM				15.9	18.3	99.5	16.6	16.3
Dividend yield				1.4	0.7	1.0	1.1	1.1
EV/EBITDA				12.0	21.4	13.8	11.8	10.9
EV/EBITA				15.3	26.2	17.2	14.7	13.5
EV/EBIT				16.1	27.6	17.6	15.2	14.0
EV/Sales (x)				0.97	1.63	1.05	0.96	0.91
Price/Book value				4.81	7.22	2.82	2.55	2.32
Price/adjusted equity				4.81	7.22	2.82	2.55	2.32
Free cash flow/Market cap (%)				(18.1)	(7.9)	(4.4)	7.4	6.4
Operating cash flow/EV (%)				9.8	1.0	(1.9)	6.7	6.2
EV/Capital employed (x)				2.1	2.9	1.6	1.4	1.3

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

Source for all data on this page: SEB

\*including EUR 20m hybrid loan from 2022 onwards

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