Beijer Group

Sector: Technology

Full Steam Ahead

Beijer Group's Q4 contained several encouraging signs, not least in the order intake, which nearly reached SEK 600m. However, the component shortage is hindering full sales conversion and hurts short-term margins. Nevertheless, Redeye argues that these issues are temporary and that the general demand should be the focal point. We thus expect 2022 to be the year where volumes finally support EBIT margins above the financial targets of 10%.

Record order intake

Beijer Group reported an exceptional order intake of SEK 597m and is now on a trailing twelve-month order intake level of SEK 2.05bn. We have previously discussed how critical volumes are for Beijer Group's profitability, and that most sales above the current levels of SEK 1.6bn should convert to incremental EBIT margins closer to the gross margin. This because the current organization and capacity can sustain volumes in the SEK 2-2.5bn range. Consequently, we expect 2022 to be the year where Beijer Group reaches its financial targets of an EBIT margin of 10%.

Component shortage plaguing margins

There are a few dark clouds on the sky, however. The component shortage has hurt Beijer Group's short-term margins and a continuation could slow down both the sales conversion of the order backlog and profitability. Beijer Group did complete price increases a few quarters ago and renegotiated some of the bigger contracts during the fall, and we expect these changes to mitigate the worst impact in 2022.

Korenix shows promise with breakthrough order

Korenix almost doubled its order intake with a breakthrough order from a Taiwanese semiconductor producer. The order is not only significant for Korenix's sales and EBIT prospects, but also an indication of a stronger value proposition when Korenix and Beijer Electronics team up. We have thus increased Korenix's sales and EBIT a little going forward.

Redeye increases the base case slightly to SEK 84 (82).

Beijer Group - near-term forecasts Share price: 69,3

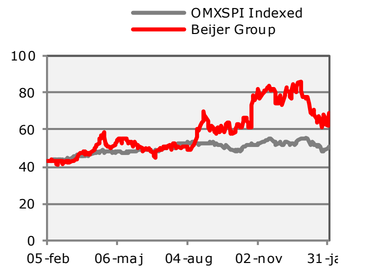
(SEKm)	2019	2020	2021	Q1'22E	Q2'22E	Q3'22E	Q4'22E	2022E	2023E	2024E
Net sales	1559	1438	1619	472	486	496	520	1973	2226	2483
Growth (%)	10,0%	-7,8%	13%	34,4%	24,7%	20,4%	11,5%	21,9%	12,8%	11,5%
EBITDA	227	164		77	86	92	101	356	506	583
EBITDA margin (%)	14,6%	11,4%		16,3%	17,7%	18,6%	19,4%	18,0%	22,7%	23,5%
EBIT	103	16		39	49	54	62	204	334	397
EBIT margin (%)	6,6%	1,1%		8,3%	10,0%	10,9%	12,0%	10,3%	15,0%	16,0%
EV/Sales								1,4	1,3	1,1
EV/EBITDA								7,9	5,6	4,8
EV/EBIT								13,8	8,4	7,1

Source: Beijer Group, Redeye Research

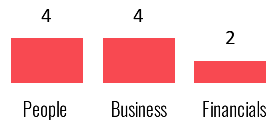
FAIR VALUE RANGE

BEAR	BASE	BULL
42	**84**	117

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	BELE
Market	Mid Cap
Share Price (SEK)	69.3
Market Cap (MSEK)	2006
Net Debt (MSEK)	811
Free Float	53%
Avg. daily volume ('000)	22.6

ANALYSTS

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Q4'21 Review

	Westermo			Beijer Electronics			Korenix			Beijer Group		
SEKm	Q4'21	Q4'20	change	Q4'21	Q4'20	change	Q4'21	Q4'20	change	Q4'21	Q4'20	change
Order intake	318	215	48%	234	159	47%	52	27	95%	597	397	50%
Sales	234	183	28%	208	146	43%	30	24	22%	466	350	33%
EBIT-margin	9,6%	8,4%		5,1%	-7,8%		-1,4%	7,0%		4,7%	-1,5%	

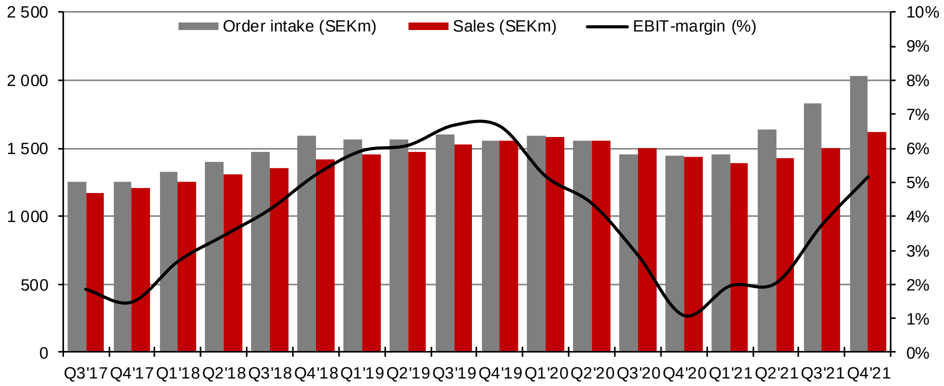
Sources: Redeye Research, Beijer Group

Short-term impact on margins, but good volumes

Q4'21 sales increased by 33% y/y and 13% q/q to SEK 466m. Our Q4 estimates were net sales of SEK 433m (or a growth rate of 23.6% y/y), and thus, Beijer Group surpassed that by a comfortable margin. Worth mentioning is that Beijer Group does not have a sales or internal capacity problem at the moment, but rather a hindrance in how much it can deliver. The delivery-issues stem from the global shortage of certain key components in the wake of the pandemic and have hit the whole industry, and we had accounted for a larger impact on the sales conversion. However, Beijer Group's management decided that it would more actively seek out scarce key components on the spot market in Q4 and buy them in larger amounts, although to substantial price increases, in order to fill orders. We are aware of some key components fetching prices that have been 10-25x the normal levels before the pandemic, and understandably, the move impacted the short-term margins negatively. We estimated an EBIT margin of 8% in the quarter or SEK 35m, but the actual EBIT was SEK 21.9m, corresponding to a margin of 4.7%. Therefore, Q4 broke the improving EBIT margin trend we had seen in the prior quarters, but only at face value. In a normal scenario, we believe Beijer Group would have reported an EBIT margin close to 10% with SEK 466m in sales volumes. The group implemented price increases in the past quarters to compensate for higher component costs, which should start showing in Q1'22 and forward as the backlog at old prices has been delivered. Certain larger contracts were renegotiated before as well.

The board of directors also proposed a dividend of SEK 0.5 per share, indicating confidence in future cash flows and reinvestment needs. The net debt is at SEK 811m (with cash and cash equivalents at SEK 147m). The cash flow has been somewhat strained in 2021 due to the need to build inventory to secure deliveries in the currently challenging supply-chain landscape. It is still negative for the full year, but in Q4, it was positive at SEK 29m.

Beijer Group: Order Intake, Sales, EBIT (SEKm) - trailing numbers

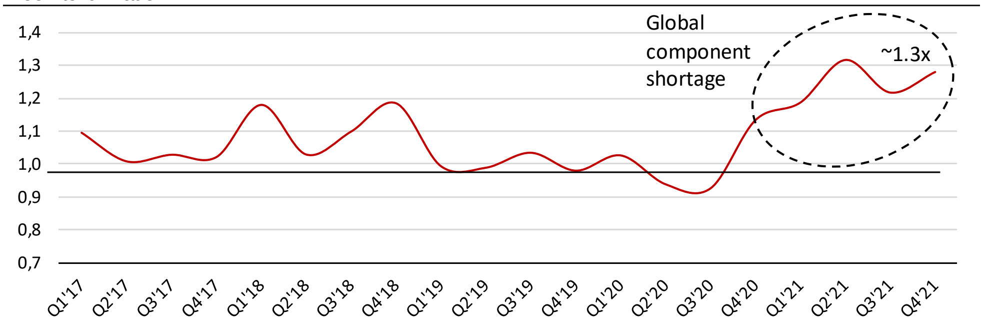


Sources: Redeye Research, Beijer Group

Exceptional order intake

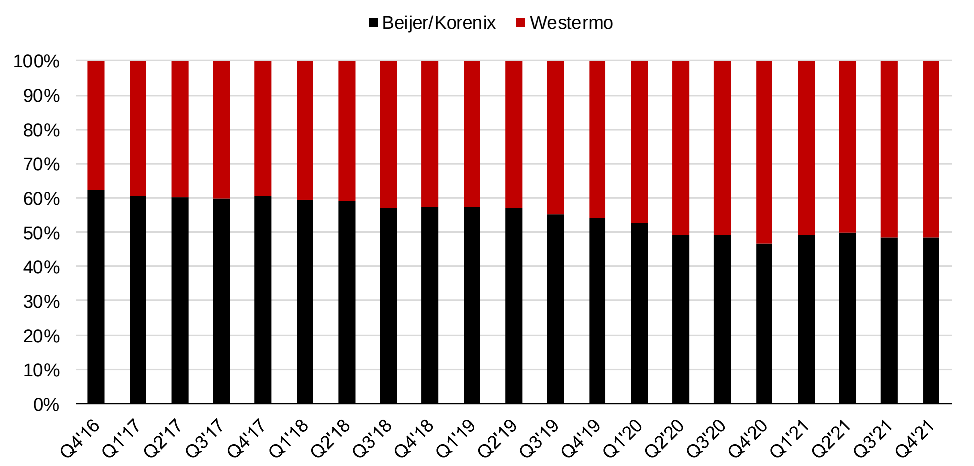
The extra sales conversion commitment to lower margins is a smart move, in our opinion. It creates long-term customer goodwill at a modest short-term expense. It is also a major reason why the group can report almost SEK 600m in Q4 order intake (which is the report's most important figure). Just one-two quarters ago, SEK 500m was a number to celebrate as it showed how extensive the demand was. As Beijer Group "makes good on" the orders, despite the difficult environment with a global shortage of components, it signals to customers to trust it with new orders. On a rolling basis, the group surpassed SEK 2bn in order intake, and the order backlog is now close to SEK 1bn, which is also an all-time high and a good indicator of continued growth in 2022 (i.e., well above the financial target of 10% a year). The group's book-to-bill ratio expanded to 1.28x, as the order intake outgrew sales (50% y/y compared to 33% y/y in sales).

Book-to-bill ratio



Sources: Redeye Research, Beijer Group

The two operating segments' share of the trailing twelve month order intake

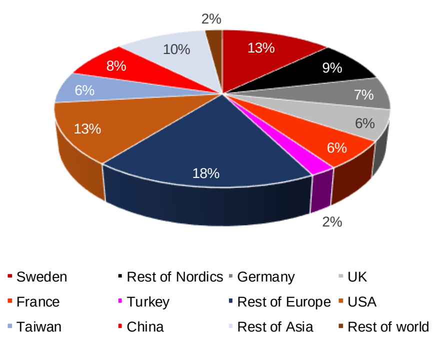


Source: Beijer Group, Redeye Research

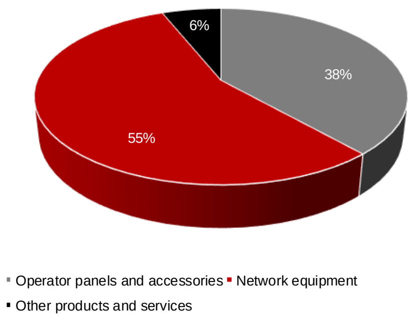
New customer orders versus a growing pipeline of follow-up orders

Lastly, we want to highlight the fact that Beijer Group did not receive any major SEK 40-50m orders in the quarter, but despite this, it managed a record-high order intake. We argue this highlights the snowball effect of more design wins with follow-up orders, which should even out larger swings in the order book going forward (although not eradicate the cyclicality completely). Beijer Group is not currently reporting how much of the order intake that is being derived from new orders versus follow-up orders, but it appears like the group has started to track the subject more closely. A high degree of repetitive revenues from design wins (with product lifetimes up to 10 years) creates stability over time, and we believe the value proposition, with high-tech hardware and software, coupled with a support organization close to the customer, is good enough to sustain durable margins in the 15%-range (over a business cycle), in the near future.

Geographical markets in 2021



Sales by category 2021



Source: Beijer Group, Redeye Research

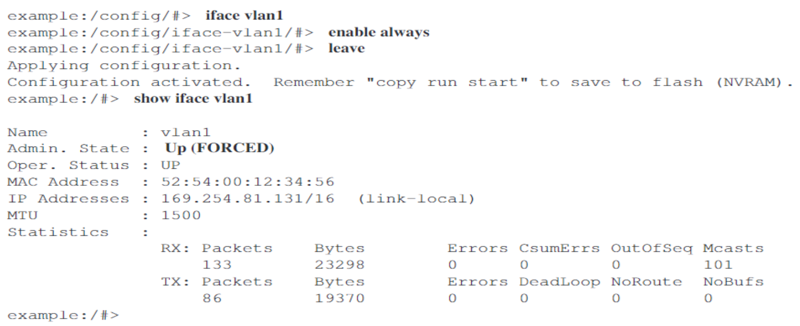
Software and service level agreements – medium-term margin improvement

"Sales by category" (on the right side of the graph above) includes hardware, software, support, and maintenance. This grouped approach is, however, to some extent starting to change in certain areas, especially in Westermo's domains. For example, Cisco, one of the main competitors in the North American market, originates from the software side (IT) and is changing how products and software are being sold on the OT side, which may well benefit Westermo going forward. Today, only a limited amount of the sales is separate support/maintenance (and software) related. More module-based solutions/sales, where customers sign up for software subscriptions and annual service level agreements, could unlock new ways of monetizing work that is already being done to a large degree (i.e., the current cost structure is in place). The same could happen in the Beijer Electronics/Korenix areas, with UNITED, iX, acirro+, and Korenix OS Platform as key solutions.

We see this trend as very exciting and know that Westermo has identified it as a focus area since at least 2018 (offer different versions/modules of WeOS and getting paid for consulting/maintenance through service level agreements). However, the focus has primarily been on the WeGrow themes such as train, trackside, and energy, and the day-to-day challenges tied to the pandemic, which has taken priority in the last two years. Nonetheless, we believe this area will regain attention when the dust settles and be a clear profitability lever, as Beijer Group's whole operation is evermore software-driven (i.e., a higher-margin business) and is already conducting extensive consulting/support services (training, configuration, fault-finding, and maintenance).

In the Q4 report, Beijer Group highlighted extensive upgrades of the WeOS operating system with enhanced functionality. Moreover, the iX software was updated with new functionality as well, and a partnership with Web IQ was introduced (Web IQ is the first 100% web-based industrial HMI and SCADA toolbox, which works as a content management system). Beijer Electronics' Codesys-based control system gained new, upgraded software and design tools in the form of BCS Tools.

Software an ever-increasing part of the business offering



```
example:/config/#> iface vlan1
example:/config/iface-vlan1/#> enable always
example:/config/iface-vlan1/#> leave
Applying configuration.
Configuration activated.  Remember "copy run start" to save to flash (NVRAM).
example:/#> show iface vlan1

Name          : vlan1
Admin. State  : Up (FORCED)
Oper. Status  : UP
MAC Address   : 52:54:00:12:34:56
IP Addresses  : 169.254.81.131/16  (link-local)
MTU           : 1500
Statistics    :
                RX: Packets    Bytes     Errors CsumErrs OutOfSeq Mcasts
                    133        23298     0      0        0        101
                TX: Packets    Bytes     Errors DeadLoop NoRoute  NoBufs
                    86         19370     0      0        0        0
example:/#>
```

Source: WeOS 5.13.0 Release Notes, Westermo

Jenny Sjödahl new President and CEO as of 1 March 2022

Beijer Group's current President and CEO, Per Samuelsson, is set to step down as he turns 65 this year. He has been instrumental in the transformation and turnaround of Beijer Group in the past six years. Under his leadership, Beijer Group has worked resolutely on corporate culture, product innovation, operational excellence/efficiency, and value-adding acquisitions. These investments and focus areas have led to improved growth and a better-than-ever profitability outlook for the group, which can be seen in Redeye's estimates.

The board of directors has appointed Jenny Sjödahl as the new President and CEO of the group. She is currently CEO of the Westermo business entity and has previously held the role of Vice President Sales (responsible for sales of robust industrial network equipment through Westermo's local sales subsidiaries in Europe, North America, and Asia). Before that, she held various positions in ABB, where she worked for more than 18 years, mostly in sales and product management. She is serving on the boards of Nibe and Gunnebo.

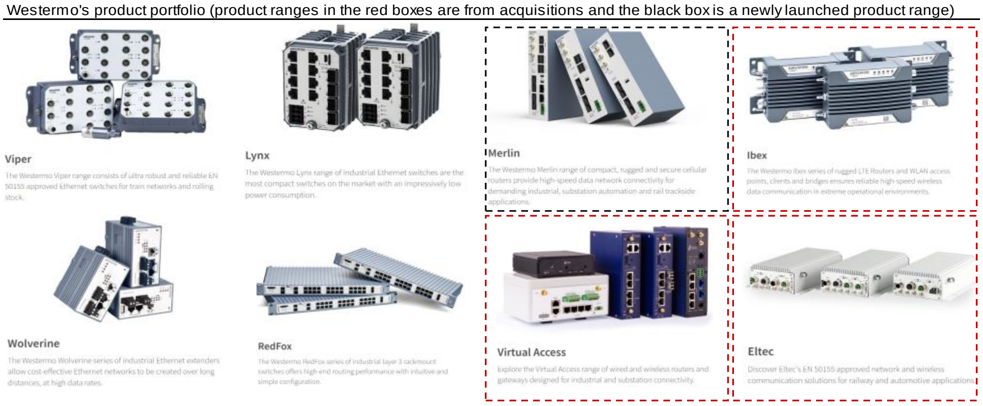
Mrs. Sjödahl has been with Beijer Group since 2016 and has been, just like Mr. Samuelsson, a central factor in improving the group's metrics. We argue her appointment is a natural and quite expected choice, as she heads the largest entity Westermo, and we appreciate the continuity the appointment entails. Mrs. Sjödahl will take up her new role on 1 March 2022 but will also remain in the role as Managing Director of Westermo.

Deeper dive into the operating segments

Closer look at Westermo

In late 2018, Westermo formulated and adopted a new strategic plan for 2019-2021 named WeGrow under Mrs. Sjödahl's management. The initiative was built on the company's success in the train segment and the product portfolio's strengths. Besides the thriving train segment, it would target trackside and power distribution as well. Train and trackside applications have overlapping end customers (which we highlighted in our November 2021 update), and all three segments have intersecting product solutions. Westermo has thus been able to develop and market products that have been useful to a range of different end-users, giving it an effective R&D process. A recent example is the cellular router Merlin-4605-T4-LV, which has both EN 50121-4 trackside approval and complies with IEC 61850-3 Class 1 for medium voltage substations. The Merlin 4600 series of versatile cellular routers provide high-speed data network connectivity for demanding industrial, smart grid, and trackside applications. The new product range has been developed by Virtual Access and should start to add to the order intake from 2022 and onward. However, Westermo must approach new customer groups in the energy segment, and thus, it might take some time before substantial volumes show. Access to trade fairs will be beneficial.

Westermo's product portfolio (product ranges in the red boxes are from acquisitions and the black box is a newly launched product range)

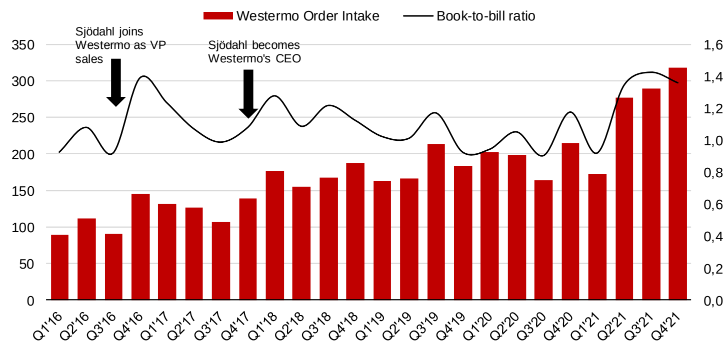


Source: Westermo, Redeye Research

Another recent launch was the Viper-8 series. The Viper range has been Westermo's most successful product category, and the new 8 series is targeting onboard train applications, and is designed to "provide high-performance, reliable and secure networks that support important services such as public address systems, passenger information systems, onboard Wi-Fi, video surveillance and train control and management systems." Westermo has focused more on onboarding systems lately, thanks to the acquisitions of Neratec and ELTEC, as well through organic initiatives like the Viper-8 series. It makes Westermo a trusted one-stop shop for the train manufacturers, which is appreciated.

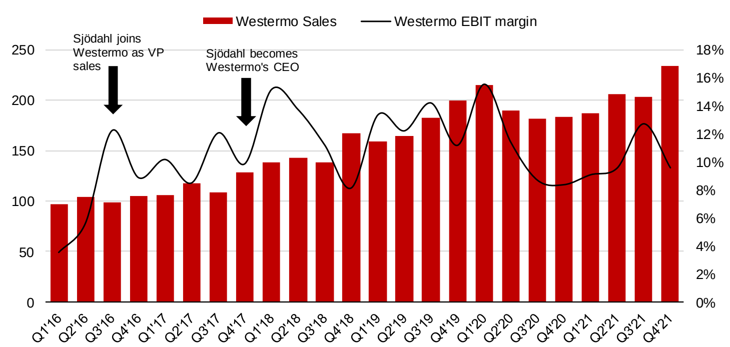
We argue that Westermo's product portfolio/R&D synergy is starting to show, notwithstanding the short-term impact from the Covid pandemic. Order intake is an early indicator of sales and subsequent margins (with scale) and as one can see, the order intake printed considerable all-time highs in 2021. Consequently, we believe the rather high R&D investments in comparison to sales are well-invested money that should earn satisfactory returns on capital in the coming years.

Westermo's order intake (SEKm) and book-to-bill ratio, quarterly development since 2016



Source: Beijer Group, Redeye Research

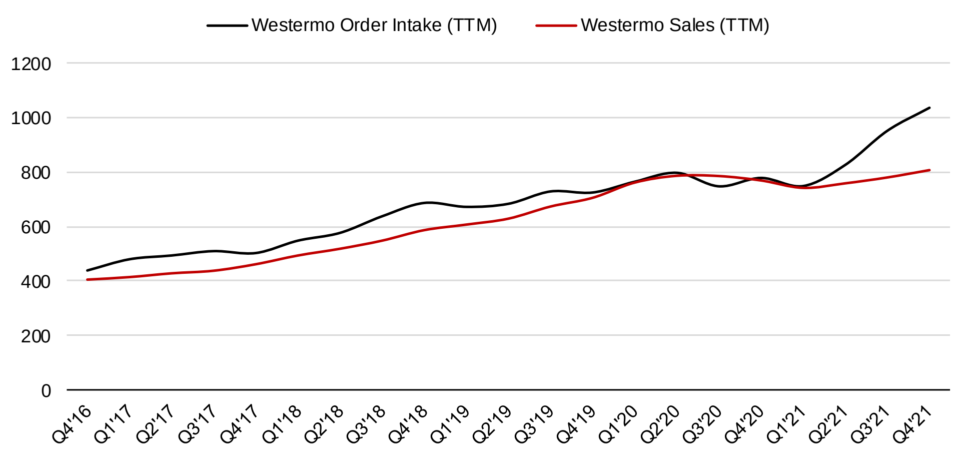
Westermo's sales (SEKm) and EBIT margin (%), quarterly development since 2016



Source: Beijer Group, Redeye Research

The component shortage has heavily impacted Westermo, and the entity's book-to-bill ratio was 1.36x at the year-end. Some components have had lead times of 26-52 weeks. It has managed the scarcity with purchases on the spot market of certain components and redesigns (if possible, and with the blessing of the customers). The shortage has created uncertainty regarding costs and delivery times, but still, Westermo achieved record-high sales in Q4 at SEK 234m (or SEK ~212.5m when removing the acquisition of ELTEC), translating into a 27.9% growth rate y/y and a 16.1% organic growth rate y/y.

Order intake and sales rolling-twelve (SEKm)



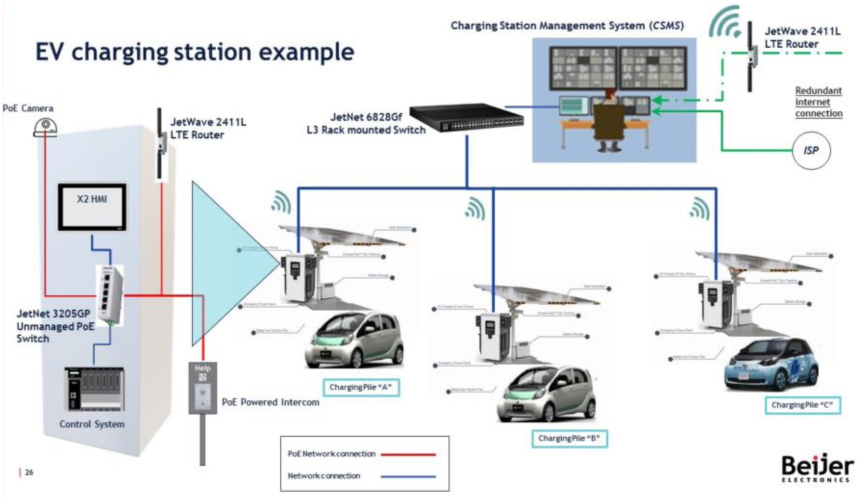
Source: Beijer Group, Redeye Research

Closer look at the new Beijer Electronics operating segment

Beijer Group will report only two operating segments from Q1 2022 as Beijer Electronics and Korenix merge. This is a natural next step since the cooperation between the two business entities has become progressively closer. Today, supply-chain and sales are coordinated, and new product roadmaps are being developed together. The only part that is meaningfully separated today is manufacturing, where Korenix has its electronics factory in Taipei. Stefan Lager, who is Beijer Electronics' CEO, will head the merged entity.

Korenix's breakthrough quarter, with an order intake of SEK 52m, or +95% y/y, was a welcomed sight. It secured a high-profile order from one of the world's largest semiconductor producers in Taiwan for a combined solution to digitalize parts of its production process, together with Beijer Electronics. Beijer Electronics' and Korenix's seamless integration between the product portfolios was the reason why they were chosen, and it thus seems not to be "a one-off." Korenix has been somewhat of the "problem child" in the group, but years of hard work and reorganization have turned the business around. One deal doubled the order intake and paved the road to sustainable profitability.

Beijer Electronics' and Korenix's product portfolios complement each other



Source: Beijer Electronics, Redeye Research

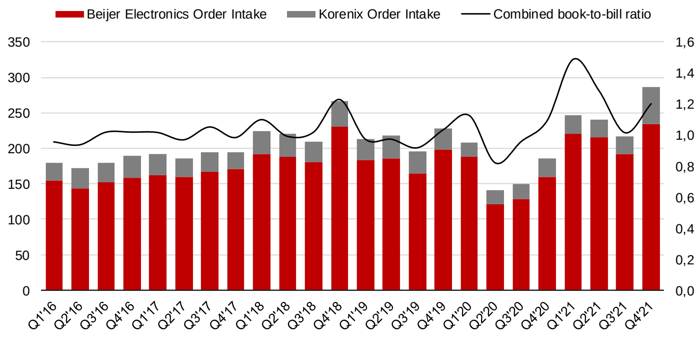
X2 HMIs, display solutions and industrial data communication

Source: Beijer Electronics, Korenix, Redeye Research

A great example of how Beijer Electronics' and Korenix's product portfolios complement each other is when they sell to EV charging infrastructure. Beijer Electronics has standardized X2 HMIs and customizable display solutions that have lifespans of 5-7 years (normal lifespans of displays are about one year). The HMI software combines top-class graphics and smarter functions that provide intuitive operation on the spot. Meanwhile, Korenix data communication equipment allows for remote maintenance, software updates and serves both users, OEMs, and charging point operators with important information. The whole offering is seamlessly integrated, best-in-class, and more sustainable (because the lifespan is longer). However, the initial price point is somewhat higher because of its industrial grade.

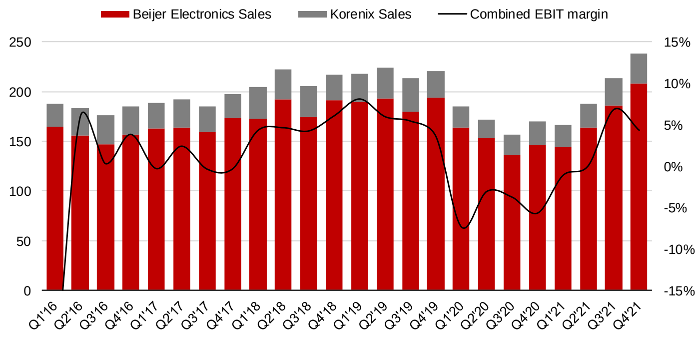
The combined unit achieved a record order intake and sales in Q4 of SEK 286m and SEK 238m, respectively. Sales grew by 40% y/y, but the EBIT margin decreased q/q to 4.3%, from 6.8% in Q3. We expect Beijer Electronics to close in on a 10% EBIT margin in 2022, should not the component shortage worsen. Beijer Electronics topped at 9.7% in EBIT margin in Q1'19, and Korenix topped at 7% in Q4'20 (but has been chiefly unprofitable).

New operating segment - Beijer Electronics and Korenix, quarterly development since 2016 (SEKm)



Source: Beijer Group, Redeye Research

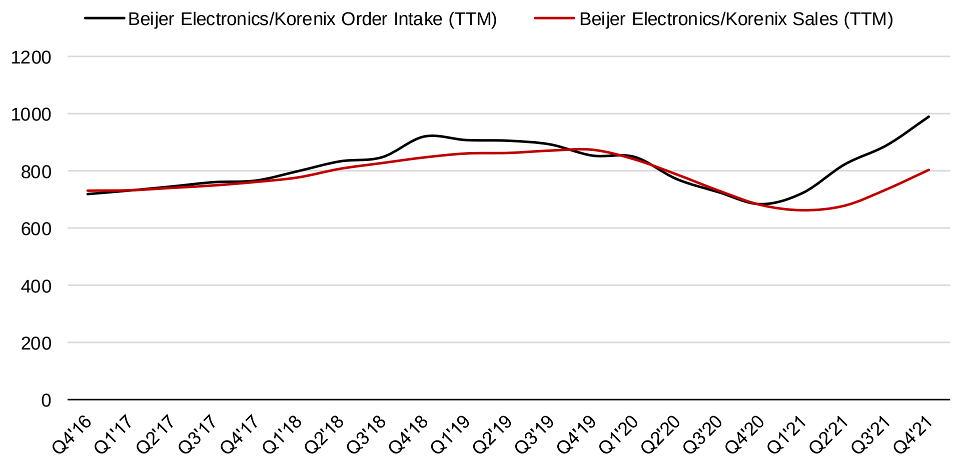
New operating segment - Beijer Electronics and Korenix, quarterly development since 2016 (SEKm)



Source: Beijer Group, Redeye Research

The book-to-bill ratio increased somewhat to 1.2x (it reached a whopping 1.49x in Q1'21). However, Beijer Electronics has a higher share of book-and-turn, i.e., its order book's sales conversion is faster than Westermo's, and we thus expect the ratio to decrease faster. Beijer Electronics was also hit as the Texas supplier NXP had to shut down its wafer fab in February 2021 because of severe winter storms, which caused significant supply-chain disruptions. That coupled with general component shortage expanded the book-to-bill ratio in early 2021 and throughout the year.

Order intake and sales rolling-twelve (SEKm)



Source: Beijer Group, Redeye Research

Financial Estimates

As mentioned previously, Beijer Group does not have a sales or internal capacity problem but rather an impediment in how much it can deliver because of external events. To our understanding, the majority of the order intake is "good quality", i.e., not customer inventory buildups that would later hurt the order intake in a few quarters. One peer reported a 40% boost in order intake thanks to customers placing orders for delivery longer time ahead than usual.

Consequently, we expect the order intake to remain comparatively high, although not as high as we saw in Q4. But SEK 500m in the current environment is not far-fetched and in line with 2021 (the trailing twelve-month order intake is at SEK 2.05bn). This translates to at least SEK 2bn in annual sales in a normal component scenario. We have put our forecast slightly below until we see sales conversion fully come through (the loss of sales resulting from the component shortage is still around 7-8%, we believe, down from previously 10%).

The biggest change in 2022 should be the margins. Prices hikes will start to show in Q1'22 as the order backlog at old prices is diminishing in volume. In a normal scenario, Beijer Group had reported around 10% in EBIT margin in Q4, and we expect this underlying profitability to show in the new financial year, something the market does not price in today. This profitability-upturn does not look "fleeting" in nature either, but more medium-to-long-term as it stems from a rejuvenated and competitive product portfolio with a sizeable and growing design win-base.

We expect a successive net sales ramp-up in 2022, as the component shortage hopefully eases and the record high order backlog of SEK 990m can be shipped. We also pencil in a margin improvement, partly thanks to better volumes, but also because of the price increases that will partly come into effect from January 1. However, these forecasts are quite unsure, and any disruption can easily remove a few percentage points from the topline or SEK 20m in EBIT in a single quarter, just like in Q4'21. Nevertheless, Beijer Group should be somewhat better equipped with the new agreements with more flexible pricing, should component prices spike again. That is the reason why we argue Beijer Group should be able to meet its financial target of >10% in EBIT margin. In a few years' time, we expect Beijer Group to achieve an EBIT margin of ≥15%.

Beijer Group: Estimates, '21-'24E

(SEKm)	2021	Q1'22E	Q2'22E	Q3'22E	Q4'22E	2022E	2023E	2024E
Sales (group adjusted)	**1 619**	**472**	**486**	**496**	**520**	**1 973**	**2 226**	**2 483**
growth y/y	*3,9%*	*34,4%*	*24,7%*	*20,4%*	*11,5%*	*21,9%*	*12,8%*	*11,5%*
Beijer Electronics (incl. Korenix)	806	238	243	247	258	985	1094	1213
Westermo	831	234	243	248	262	988	1147	1285
Total costs (excl. D&A)	1 455	395	400	403	419	1 617	1 721	1 900
EBITDA	**164**	**77**	**86**	**92**	**101**	**356**	**506**	**583**
(%)	10,1%	16,3%	17,7%	18,6%	19,4%	18,0%	22,7%	23,5%
D&A	148	38	38	38	38	152	172	186
EBIT	**16**	**39**	**49**	**54**	**62**	**204**	**334**	**397**
(%)	*1,0%*	*8,3%*	*10,0%*	*10,9%*	*12,0%*	*10,3%*	*15,0%*	*16,0%*

Source: Beijer Group, Redeye Research

Lastly, and perhaps needless to say: our base case forecasts include a favorable economic environment, where customers feel confident in purchasing products and services. Beijer Group is somewhat cyclical, and should a downturn take place, we would adjust the near-term forecasts accordingly. Still, the medium-to-long-term case is intact, as previously mentioned.

Valuation

Company	EV (local)	Sales 20A	EV/SALES 20A	EV/SALES 21E	EV/SALES 22E	EV/EBIT (x) 20A	EV/EBIT (x) 21E	EV/EBIT (x) 22E	Sales growth 20A	Sales growth 21E	Sales growth 22E	EBIT margin 20A	EBIT margin 21E	EBIT margin 22E	Gross margin 21E
CTT	2 775	201	13,8	18,4	9,1	68	107	25	-43%	-25%	101%	20,3%	17,2%	36,5%	100,0%
Hexagon	351 442	39 564	8,9	7,8	6,9	42	28	24	-4%	14%	12%	21,0%	27,7%	28,6%	64,3%
IAR	68 030	9 941	6,8	6,3	5,8	59	43	39	6%	9%	9%	11,6%	14,7%	14,9%	44,4%
Tomra	20 400	1 717	11,9	7,7	7,1	63	36	32	-3%	54%	9%	18,9%	21,7%	21,9%	38,0%
Troax	1 062	345	3,1	3,4	2,7	12	14	11	-11%	-8%	25%	26,2%	23,8%	25,1%	70,0%
HMS	24 393	1 972	12,4	12,4	10,3	54	54	44	34%	0%	20%	22,7%	22,9%	23,3%	62,4%
Belden	2 564	1 863	1,4	1,1	1,0	21	8	7	-13%	29%	4%	6,7%	13,4%	13,9%	36,1%
Advantech	294 440	51 119	5,8	5,1	4,5	33	30	25	-6%	13%	13%	17,6%	16,7%	18,2%	37,7%
Spectris	3 822	1 336	2,9	2,9	2,8	849	18	16	-18%	-1%	2%	0,3%	16,1%	17,2%	n/a
Siemens	120 343	62 265	1,9	1,9	1,8	14	18	14	13%	0%	8%	13,8%	10,6%	12,6%	36,5%
Rockwell	33 708	6 996	4,8	4,8	4,1	21	24	21	11%	0%	17%	23,1%	19,9%	19,7%	41,4%
Median	**24 393**	**1 972**	**5,8**	**5,1**	**4,5**	**42**	**28**	**24**	**-4%**	**0%**	**12%**	**19%**	**17%**	**20%**	**43%**
Average	**83 907**	**16 120**	**6,7**	**6,5**	**5,1**	**112**	**35**	**24**	**-3%**	**8%**	**20%**	**17%**	**19%**	**21%**	**53%**

Source: Redeye, FactSet

Beijer Group is still priced well below the average industry peer, which we believe has more to do with the company's history than with its future prospects. The strong order intake is an early indicator of stable growth and improved margins with the added volume. Today, it seems that the market has a 'wait and see' stance, which we believe will change gradually as the group hits its financial targets and, from there, start looking forward to the business model's inherent long-term potential. EV/Sales of 1.4x and EV/EBIT of 13.8x on 2022's estimated numbers are too low given Beijer Group's recent performance, in our opinion.

Bear Case SEK 42

- CAGR sales ~6.5% next ten years
- Average EBIT margin of ~10% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 7%

In our bear case, we assume a slower pick up after the Covid-19 pandemic and prolonged effects from component shortages. Moreover, the WeGrow strategy does not lead to much greater growth and margins as competition increases in the segments. Beijer Group continues to have below average margins and profitability on invested capital (ROIC).

Base Case SEK 84

- CAGR sales ~10% next ten years
- Average EBIT margin of ~12% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 8%

Beijer Group grows at >7% annually in our base case and improves its margins, thus beating its financial goals. EBIT peaks at 16% and then goes down as competition increases in its segments to around ~10% a few years down the road (gradually). Beijer Group has, nonetheless, substantially higher 'lower levels' in this scenario and the growth runway (durability) is also a bit longer in this scenario. Not all business entities accomplish their capacity goals.

Bull Case SEK 117

- CAGR sales ~11% next ten years
- Average EBIT margin of ~15% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 10%

Beijer Group meets the capacity targets of 10% in annual growth and EBIT margins of around 15% in our bull case. Westermo's WeGrow strategy is successful, and it creates market-leading roles in trackside and power distribution. Beijer Electronics and Korenix also improve their profitability with fewer product platform families and more cooperation. Beijer Group's profitability is in line with other well-managed industrial companies. We also expect a multiple rerating.

	2020	2021E	2022E	2023E
INCOME STATEMENT				
Revenues	1438	1619	1973	2226
Cost of Revenues	724	795	947	1058
Gross Profit	713	823	1026	1169
Operating Expenses	549	605	670	663
EBITDA	164	218	356	506
Depreciation & Amortization	148	150	152	172
EBIT	16	68	204	334
Net Financial Items	-22	-19	-12	-3
EBT	-6	50	193	328
Income Tax Expenses	0	14	40	69
Non-Controlling Interest	4	4	4	4
Net Income	-6	36	152	259
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	121	147	100	181
Inventories	177	257	233	275
Accounts Receivable	251	363	351	427
Other Current Assets	46	67	59	67
Total Current Assets	595	834	744	950
Non-current assets				
Property, Plant & Equipment, Net	96	85	103	126
Goodwill	766	785	785	785
Intangible Assets	267	274	266	276
Right-of-Use Assets	99	96	240	336
Shares in Associates	0	0	0	0
Other Long-Term Assets	61	65	45	68
Total Non-Current Assets	1289	1305	1439	1590
Total Assets	1884	2139	2183	2540
Liabilities				
Current liabilities				
Short-Term Debt	153	247	93	0
Short-Term Lease Liabilities	30	48	48	48
Accounts Payable	103	166	0	159
Other Current Liabilities	153	247	219	216
Total Current Liabilities	439	708	359	423
Non-current liabilities				
Long-Term Debt	410	355	355	355
Long-Term Lease Liabilities	69	59	203	299
Other Long-Term Liabilities	326	282	395	379
Total Non-current Liabilities	804	697	953	1033
Non-Controlling Interest	4	4	4	4
Shareholder's Equity	637	729	867	1080
Total Liabilities & Equity	1884	2139	2183	2540
CASH FLOW				
NOPAT	16	49	161	264
Change in Working Capital	37	-37	-152	31
Operating Cash Flow	194	85	265	446
Capital Expenditures	-59	-66	-39	-45
Investment in Intangible Assets	-23	-112	-79	-100
Investing Cash Flow	-82	-178	-99	-167
Financing Cash Flow	-101	114	-212	-198
Free Cash Flow	112	-93	146	302

DCF Valuation Metrics	**Sum FCF (SEKm)**
Initial Period (2022–2024)	544,21
Momentum Period (2025–2029)	931,64
Stable Period (2030–)	1780,89
Firm Value	3256,75
Net Debt	814,79
Equity Value	2441,96
Fair Value per Share	84,35

	2020	2021E	2022E	2023E
CAPITAL STRUCTURE				
Equity Ratio	0,3	0,3	0,4	0,4
Debt to equity	0,9	0,8	0,5	0,3
Net Debt	442	456	348	174
Capital Employed	1445	1431	1824	2117
Working Capital Turnover	7,6	7,2	5,2	6,4
GROWTH				
Revenue Growth	-8%	13%	22%	13%
Basic EPS Growth	-109%	-689%	322%	70%
Adjusted Basic EPS Growth	-109%	-689%	322%	70%
PROFITABILITY				
ROE	-1%	5%	19%	27%
ROCE	1%	5%	11%	16%
ROIC	1%	4%	11%	17%
EBITDA Margin (%)	11%	13%	18%	23%
EBIT Margin (%)	1%	4%	10%	15%
Net Income Margin (%)	0%	2%	8%	12%
VALUATION				
Basic EPS	-0,2	1,2	5,3	8,9
Adjusted Basic EPS	-0,2	1,2	5,3	8,9
P/E	neg	89,5	21,2	12,4
EV/Revenue	2,6	2,3	1,8	1,5
EV/EBITDA	22,7	16,9	10,0	6,7
EV/EBIT	235,3	53,9	17,5	10,2
P/B	5,1	4,4	3,7	3,0

SHAREHOLDER STRUCTURE	**CAPITAL**	**VOTES**
Stena	29,4%	29,6%
Svolder	15,1%	15,2%
Nordea Fonder	12,4%	12,5%
Fjärde AP-fonden	9,4%	9,5%
Cliens Fonder	3,6%	3,6%

SHARE INFORMATION	
Reuters code	BELE.b
List	Small Cap
Share price	[illegible]
Total shares, million	28,952

MANAGEMENT & BOARD	
CEO	Per Samuelsson
CFO	Joakim Laurén
Chairman	Bo Elisson

ANALYSTS	Redeye AB
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Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 point. The maximum score for a valuation key is 5 points.

Rating changes in the report

Rating changes in the report

People: 4

The People rating is based on quantitative scores in seven sub-categories: Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board. In our rating assessment, Beijer Group gains the highest points from its open communication, qualified and experienced board, and compensation. Relevant industry experience characterizes BELE's management and board of directors. Management shows a good understanding for the targeted markets and has a clear long-term focus. BELE has shown solid progress with current management, which we judge to have completed the company's turnaround.

Business: 4

The Business rating is based on quantitative scores in five sub-categories: Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks. Beijer Group receives the highest scores in Value Proposition and Operational Risk. The company operates in large, fragmented growth markets, primarily related to the digitalization trend. Long customer relationships characterize its business, where products are designed into customers' systems -laying the ground for potentially durable competitive advantages (switching costs).

Financials: 2

The Financials rating is based on quantitative scores in five sub-categories: Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality. Although currently showing solid progress, BELE's financial rating is burdened by a couple of years of negative results and free cash flow. As additional profitability improvements are expected, we see room for an increased rating going forward. The company has a solid capital structure, the business is diversified, and we see no risk of needing to raise external capital going forward. On the negative side, the business is cyclical, implying that there is a risk of negative growth in a period of economic downturn.

Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

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Redeye Rating (2022-02-03)

Rating	People	Business	Financials
5	32	15	4
3-4	149	133	44
0-2	5	38	138
total	186	186	186

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Mark Siöstedt owns shares in the company: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.