Beijer Electronics Group

Sector: Industrial Goods & Services

Expecting a rebound

Beijer Group reported sales of SEK 381.2m in Q2 (6% growth y/y), which came in 3% below our forecast (SEK 393.5m). The deviation to our estimate is mainly explained by Beijer Electronics, which was affected by the phase-out of older products. Westermo continued to show solid progress and reported a sales growth of 15% during the quarter.

The group's order intake increased by 1.5% y/y, which reflects a slower growth pace than showed during 2018. In half-year figures, the order intake was down -3% in H1'19 compared to the same period in 2018. It is, however, explained by fewer large project deals as well as Beijer Electronics' product phase-out.

Profitability setback in Q2'19

Beijer Group's earnings were also negatively affected by Westermo's growth initiatives, undertaken efforts in expanding its production capacity as well as one-offs related to the acquisition. The group's EBIT came in at SEK 21.5m (5.6% EBIT-margin) in Q2'19. While corresponding to an improvement of 19% y/y, the EBIT-margin dropped 2.5 p.p. q/q, which reflects a temporary setback in the group's profitability expansion.

Expecting a stronger second half of 2019

We expect the phase-out effects to fade out during the year, and forecast Beijer Electronics to return to higher growth and improved profitability. We further anticipate Westermo to continue its robust growth journey, which now also will be bolstered by the Neratec acquisition. The acquisition will strengthen Westermo's wireless offering and seems to be a perfect fit in view of its focus markets.

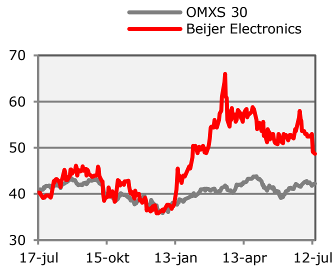
We have updated our model based on the report and the recent acquisition of Neratec. We have revised our forecasts for Beijer Electronics as we find our previous estimates too optimistic in view of the recent development. The adjustments result in an updated fair value of SEK 54 (56) per share in our base case. The share has been under pressure since the release of the Q2 report, and we currently see an upside of about 15% to our base case.

KEY FINANCIALS (SEKm)	2017	2018	2019E	2020E	2021E	2022E
Net sales	1206	1417	1550	1720	1871	2013
EBITDA	90	151	230	291	327	364
EBIT	18	74	114	168	207	249
EPS (adj.)	-0.2	1.5	2.7	4.2	5.3	6.5
EV/Sales	1.1	1.0	1.2	1.0	0.8	0.7
EV/EBITDA	14.2	9.7	8.1	5.9	4.8	3.9
EV/EBIT	71.4	19.7	16.2	10.3	7.7	5.7
P/E	-157.3	23.8	17.5	11.1	8.9	7.3

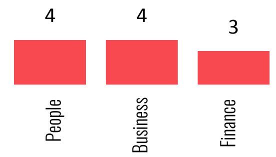
FAIR VALUE RANGE

BEAR	BASE	BULL
33.0	**54.0**	74.0

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	BELE
Market	Small Cap
Share Price (SEK)	47.1
Market Cap (MSEK)	1356
Net Debt 19E (MSEK)	495
Free Float	38 %
Avg. daily volume ('000)	35

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Q2'19: Temporary profitability setback

The order intake in Q2'19 came in at SEK 377m (1.5% growth y/y). The growth was entirely driven by Westermo (7.3% growth y/y) whereas Beijer Electronics and Korenix reported declining/flat order intake growth. In half-year figures, it means that order intake was down 3% in H1'19. According to management, it is explained by fewer large project deals this year as well as Beijer Electronics' phase-out of old products, which had a positive effect on the intake in H2'18.

Net sales were SEK 381.2m (6% growth y/y), of which 3% currency-adjusted growth. Lower-than-expected sales within Beijer Electronics explain the deviation to our forecast. Its sales were negatively affected by the phase-out but also a slow adoption of its new products in the US. The phase-out also affected the profitability during the quarter with a weaker sales mix, which resulted in EBIT of 13.7m (7.1% margin), i.e., a 2.5% p.p. drop q/q.

Westermo continued to be the group's best-performing entity and contributed with sales growth of 15.3% during the quarter. Earnings were, however, lower than expected due to increased overhead costs related to its growth initiatives on the new focus markets trackside and power distribution, and the efforts in increasing its production capacity. It was also negatively affected by one-offs related to the acquisition of Neratec (more on the acquisition below).

Beijer Group Q2'19: Actuals vs estimates

SEKm	Q2'18*	Q2'19E	Q2'19A
Net sales	**360.8**	**393.5**	**381.2**
Beijer Electronics	192.3	200.0	192.9
Westermo	142.6	165.0	164.4
Korenix	30.0	33.0	31.3
EBITDA	**36.4**	**60.6**	**50.2**
D&A	-18.5	-28.4	-28.7
EBIT	**18.0**	**32.2**	**21.5**
Beijer Electronics	12.7	18.9	13.7
Westermo	19.6	22.7	20.1
Korenix	-2.4	0.6	-0.3
PTP	**16.9**	**28.9**	**19.8**
Net earnings	**10.5**	**22.5**	**13.7**

* Excludes IFRS16 effects

Source: Redeye Research

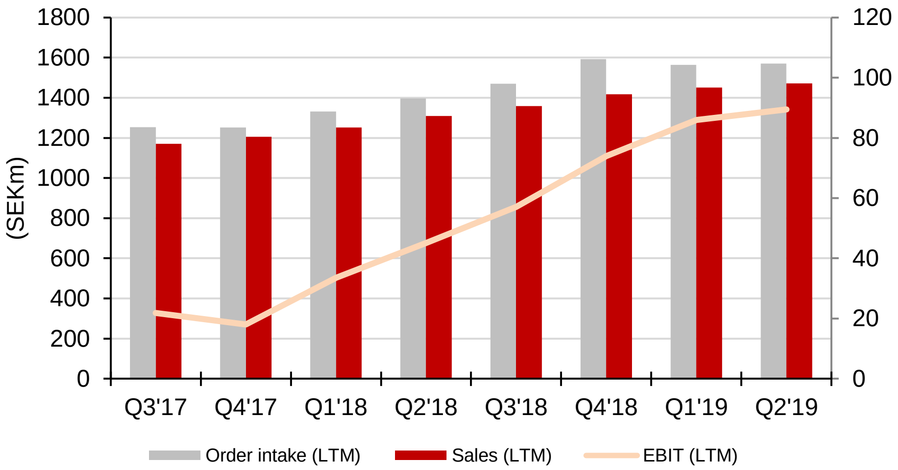
Korenix showed decent progress during the quarter. While sales came in slightly below our forecast (4% growth y/y), it is showing profitability improvements. EBIT improved by SEK 2.1m (y/y) while sales increased by SEK 1.3m, and it is approaching break-even on EBIT-level. Management reiterates its target of turning Korenix profitable in 2019.

On a group level, EBIT came in at SEK 21.5m (5.6% margin), which reflects a temporary setback in its profitability expansion. Although improving by 19.7% y/y, the EBIT-margin dropped 2.5 p.p. q/q. It is further important to note that BELE currently is enjoying favorable currency effects, which had a positive impact of SEK 4.8m on EBIT in Q2'19, reflecting that there still is some work left to reach the 10% target. BELE ultimately reported net income of SEK 13.7m, corresponding to EPS of 0.48 in Q2'19 (0.36).

Cash flow from operating activities before working capital changes amounted to SEK 93.4m during H1'19. Q2 marked an additional quarter with large negative working capital changes, which resulted in an operating cash flow of SEK 33.7m. After investments of SEK -58.2m, financing of SEK 20m, and dividend payout of SEK -14.3m, the total cash flow amounted to SEK -18.8m during H1'19.

Hence it also reflects a weaker period in a cash flow perspective with considerable negative working capital changes. According to management, it is largely explained by the end-of-life process within Beijer Electronics, which has affected the inventory levels. It should thus improve during H2'19. Beijer Group's net debt position amounted to SEK 588m by the end of Q2, of which SEK 104m attributable to IFRS 16 effects.

LTM order intake, sales and EBIT



Source: Redeye Research

Backlog 29% above last year's level

While arguing that the Q2'19 report was a disappointment, we see several factors that make us less worried about the report. Management highlighted already in Q1'19 that the order intake will be bumpy between quarters due to the phase-out. The backlog is still strong at 29% above last year's levels, and we further believe that the explanations for the negative effects in Q2'19 are plausible. Westermo's order intake grew 7% y/y without any significant project deals, its growth strategy is promising and we expect the initiatives to carry long-term gains as illustrated by the successes within train networking. We further have a favorable view on its recent acquisition, which strengthens the company's offering within a quickly growing network segment.

Concerning Beijer Electronics, we expect to see improvements already during H2'19 as the effects of the phase-out should fades. Management has also stated that it had several large potential projects by the end of Q2'19 that should bring positive results.

Acquisition of Neratec

Last week, Beijer Group announced the acquisition of Neratec, a Swiss provider of wireless communication solutions (robust WLAN products). It regards a relatively small company with some 25 employees and sales of CHF 6.5m in 2018 (about 4.4% of Beijer Group's FY18 sales). Beijer Group did not disclose Neratic's earnings, but states that its profitability is "good", which we find reasonable given that it operates in mission-critical markets (transportation/railways, mining, maritime, oil & gas and automation).

The core focus is transportation/railways, a segment in which Neratec has operated for about a decade. Hence, Neratec seems to be a perfect target for Westermo as it will bring experience and solutions for two of Westermo's focus segments (train and trackside). Examples of use cases are onboard-to-ground communication, passenger WiFi, and inter-carriage connections.

Neratec was acquired for CHF 5m on a cash/debt-free basis and fully paid in cash. There is also a smaller performance-based compensation. We believe that the main rationale is to complement Westermo's wireless offering with new products, and it goes well in hand with its strategic focus markets. The companies should further be able to leverage on Westermo's global sales organization, opening up more significant sales opportunities for Neratec. During the conference call, CEO Samuelsson mentioned that Westermo and Neratec have been working together previously, for example with Alstom.

The purchase price also seems to be fair in view of the sales multiple at 0.77x (FY18) whereas BELE currently trades around 1.3x. We find the investments into wireless very promising. Although the wireless segment still accounts for a minor share (6%) of the total industrial network market, it is the most rapidly growing industrial network technology with an annual growth around 30%[1]. It will further complement Westermo's offering within a market it has established a strong position (approx. 15% market share) over the recent years.

Financial forecasts

The order intake in H1'19 was down -3% y/y, but the group still holds a strong backlog. Regarding Beijer Electronics, we do not find the -2.8% decline (H1'19) to be that worrisome given that customers placed extraordinary large orders during the end of 2018 due to the phase-out, as reflected by the order intake of SEK 231m in Q4'18. While a weakened order intake could be signs of a softer market, we yet believe that the combined effect of a weaker demand and the phase-out would have had a more significant negative impact. During the conference call, management stated that it had not identified any signs of lower demand and that the underlying sales pipeline remains strong.

Having that said, we have yet had too high expectations for Beijer Electronics over the last quarters and we have, therefore, revised our forecasts following the report. We have, at the same time, updated our model based on the acquisition of Neratec.

Apart from the sales of SEK 62m in FY18, we lack information about Neratec's financial history and recent development. Management has stated that its profitability is good, which is plausible given that it operates in mission-critical markets. We find it reasonable to assume that its profitability is somewhere in between Westermo's and Beijer Electronics' levels. Beijer Group has communicated that Neratec's contribution to the group's profitability in 2018 will be limited. Assuming a flat growth in 2019 would imply a contribution of roughly SEK 30m to Westermo's sales in H2'19, which is less than 4% of our group sales forecast.

[1] https://www.hms-networks.com/news-and-insights/2019/05/07/industrial-network-market-shares-2019-according-to-hms

Group estimates								
(SEKm)	**2018**	**Q1'19**	**Q2'19**	**Q3'19E**	**Q4'19E**	**2019E**	**2020E**	**2021E**
Sales	**1417**	**370.9**	**381.2**	**376**	**423**	**1550**	**1720**	**1871**
Beijer Electronics	731	189.5	192.9	183	206	771	818	867
Westermo	586	158.7	164.4	165	187	675	786	878
Korenix	118	28.8	31.3	32	33.5	126	135	145
Total costs (excl. D&A)	-1267	-315.4	-330.6	-318	-358	-1322	-1429	-1544
EBITDA	**151**	**58.0**	**50.2**	**58**	**64**	**230**	**291**	**327**
D&A	-77	-27.9	-28.7	-29	-30	-116	-122	-121
EBIT	**74**	**30.1**	**21.5**	**29**	**34**	**114**	**168**	**207**
Margin (%)	*5.2%*	*8.1%*	*5.6%*	*7.6%*	*8.1%*	*7.4%*	*9.8%*	*11.1%*
Beijer Electronics	47	18.3	13.7	15	20	66	87	102
Margin (%)	*6.5%*	*9.6%*	*7.1%*	*7.9%*	*9.6%*	*8.6%*	*10.6%*	*11.8%*
Westermo	70	21.2	20.1	21	24	86	112	134
Margin (%)	11.9%	*13%*	*12%*	*13%*	*13%*	*13%*	*14%*	*15%*
Korenix	-6	-0.6	-0.3	0.3	0.4	0	6	9
Margin (%)	neg.	*-2.1%*	*-0.9%*	*0.9%*	*1.2%*	*-0.1%*	*4.6%*	*6.0%*
PTP	63	27.0	19.8	25	31	103	156	196
EPS, SEK	1.52	0.70	0.48	0.68	0.84	2.70	4.23	5.31
Sales growth (%)	18%	10%	6%	11%	11%	9%	11%	9%
Net margin (%)	3%	5%	4%	5%	6%	5%	7%	8%

Source: Redeye Research

To summarize, we expect the phase-out effect to fade out and forecast Beijer Electronics to report improved sales and profitability already during H2'19. As mentioned, we find the explanations for the declining profitability (q/q) to be plausible and expect both Beijer Electronics and Westermo to return to the previously shown profitability improvements going forward. Both entities have shown abilities to leverage on increasing sales volumes, and we expect the company to continue this trend.

The company is still making large R&D investments (11.6% of sales in H1'19), and we expect this to result in long-term growth. We forecast Westermo to contribute with the highest growth over the years through its growth initiatives as well as the acquired growth from Neratec. Over time, we believe that it should be able to leverage on Westermo's established sales network.

Westermo is further expected to continue to be the group's most significant contributor to earnings. It has previously demonstrated an ability to exhibit EBIT-margins around 14-15%, and we expect to see improved earnings over time as the investments into the new segments pays off.

Korenix, which plays a less critical role in our investment case, shows decent progress in terms of profitability improvements. It entered 2019 with a healthy order book, and we expect to see increased sales and profitability over the coming quarters.

On group-level, we expect to see a stronger H2'19 driven by both Beijer Electronics and Westermo and forecast a sales growth of 9% in FY19. We further expect to see improved EBIT-margins during the upcoming quarters and expect this to result in an EBIT-margin of 7.4% in full-year figures. Hence we expect the group to converge on its financial target (EBIT-margin of 10%) and anticipate the company to achieve its profitability goal in 2020.

Valuation

For valuation purposes, we apply a discount rate (WACC) of 10.5%. Our valuation is based on a DCF analysis for three scenarios - a base case plus an optimistic bull case and pessimistic bear case. No additional acquisitions are considered.

Base case

Sales should grow at a CAGR of 9.7% between 2019 and 2021. Beyond 2021, we assume a sales CAGR of 4.6% until 2027 and terminal growth of 2%. We forecast substantially improved profitability on the back of increased sales and new products.

Valuation: Base case

Assumptions	**2019-28**	**DCF-value**	
CAGR Sales	6.1%	WACC	10.5%
EBIT-margin (avg)	11.8%	NPV FCF	1 149
ROIC (avg)	17%	NPV Terminal value	990
		Sum NPV	2 139
Terminal		Net debt	588
Terminal FCF growth	2%	**DCF-value**	**1 544**
Terminal EBIT-margin	11%	**Fair value per share**	**54**
		Current share price	47

Source: Redeye Research

Over time, we expect the company to maintain a gross margin above 50%. We forecast continued EBIT improvements in the coming years, with the EBIT margin increasing from its current level around 6.9% (H1'19) towards 11% by 2021. Beyond 2021, we assume an average EBIT margin of 12.9%. Our updated model results in a fair value of SEK 54 per share (56) in our base case.

The Q2'19 report has put pressure on the share, which currently is trading around SEK 47 per share. We believe that the Q2'19 numbers can be explained by several plausible temporary factors and we currently see good upside potential given that Beijer Group succeeds to return to its solid growth and profitability improvements.

It will, however, be important to see increasing order intakes in the upcoming reports, as additional declines could point to a dampened market and lower growth potential, which in turn would impose an obstacle to achieve the profitability target. Reports confirming high growth and improved profitability will be the most important events driving the share over the next year, we anticipate.

Valuation

Bear Case 33.0 SEK

Key assumptions:
Sales growth (CAGR) 18-21E: 6.6%
Sales growth (CAGR) 22E-28E: 4.0%
Average EBIT-margin 18-21E: 6.9%
Average EBIT-margin 22-28E: 9.9%
Terminal EBIT-margin: 8%

In general, we take a more cautious stance on the company's ability to remain growing in double-digit figures over the two coming years.

Our conservative bear case incorporates lower returns of the commercial launch of its software offering, less successful penetration of Westermo's new target markets as well as an extended turnaround in Korenix – ultimately resulting in lower sales and earnings in both short and long run.

Hence, this case reflects the scenario where the strong momentum BELE currently is showing will scale down, returning to more conservative growth rates in a shorter period. We assume both lower growth rates and gross margins compared to the two previously presented scenarios.

Less profitability improvements following lower sales growth and lower returns from new offerings.

Base Case 54.0 SEK

Key assumptions:
Sales growth (CAGR) 18-21E: 9.7%
Sales growth (CAGR) 22E-28E: 4.6%
Average EBIT-margin 18-21E: 9.4%
Average EBIT-margin 22-28E: 12.8%
Terminal EBIT-margin: 11%

Following increased sales of new products, we expect its gross margins to increase. Over time, we estimate the company to maintain a gross margin exceeding 50% and EBIT improvements in all units.

We expect continued EBIT improvements over the next years, seeing the EBIT-margin increasing from around 5% in 2018 up towards 10% by 2020, primarily from leveraging on increased sales volumes.

Beyond 2021, we assume an average EBIT-margin of 13%. In our terminal period, we assume a margin of 11%.

Bull Case 74.0 SEK

Key assumptions:
Sales growth (CAGR) 18-21E: 11.3%
Sales growth (CAGR) 22E-28E: 5.5%
Average EBIT-margin 18-21E: 10.8%
Average EBIT-margin 22-28E: 13.7%
Terminal EBIT-margin: 13%

In our upbeat bull case, we are estimating higher growth rate in each respective business entity. We assume a more successful launch of Beijer Electronics software offering, leading to higher gross margins during 2020-2021 and beyond. We further expect higher sales growth from sales of operator panels and IIoT gateways. Regarding profitability, we expect the improved gross margin to result in Beijer Electronics reaching higher EBIT-margins.

This case also incorporates higher sales growth for Westermo following successful penetration of both new focus segments. Furthermore, we estimate improved profitability following increased sales.

Besides, we expect quicker and higher returns from Korenix's turnaround. We also assume a slightly higher long-term sales growth following a successfully established positioning as a primer provider of connectivity products within its security and surveillance segments.

Hence, apart from higher growth rates, we also expect somewhat higher gross margins, ultimately resulting in improved profitability compared to our base case.

Investment Case

Turnaround finally completed. After a challenging period during 2016-17 where it undertook several measures that hurt its financials, BELE has convinced investors that its turnaround is finally complete. Strong reports throughout 2018 showed that the company is back on track – highlighted by growing order intake and sales by 27% and 18% during the year.

BELE is better positioned than before after quitting its distribution agreement with Mitsubishi Electric (which has reduced dependency and improved margins), updating its product portfolio, increasing the share of proprietary products, re-staffing its organization and with new management teams in place. We expect this to be reflected in continued profitability improvements that leverage on greater sales volumes and slightly improved gross margins. We forecast that the company will reach its profitability target (10% EBIT-margin) within two years from now.

Digitalization to drive growth. Industrial digitalization is a trend to which all businesses are directly exposed. BELE's target markets are forecast to grow at CAGR of between 7% and 15% over the next five years (financial target of annual growth exceeding 7%).

Westermo, the group's golden nugget, has grown revenues and EBIT at CAGR of 9% and 10%, respectively, since the acquisition in 2008. Its current order intake and revenue growth are substantially higher, increasing by a respective 37% and 27% in 2018. It operates in non price-sensitive niche segments with long project deals, where it is positioned as the most reliable provider of rugged connectivity equipment. We expect the company to repeat its successful train networking efforts in rail trackside, where several existing customers operate, and power distribution. We further see bolstered growth prospects following the acquisition of Neratec, which strengthen Westermo's offering within its focus markets. We believe that Westermo alone should be able to generate revenues and EBIT of SEK 878m and SEK 135m, respectively, by 2021.

Upside potential. The market reacted negatively on the Q2'19 report and the share is now down 13% since the report was released. While the report marked a temporary setback, we are not as worried over the recent report as we find the explanations for the weaker order intake and profitability reasonable. Our DCF valuation suggests a fair value of SEK 54 per share, which offers 15% upside potential from current levels.

It is, however, crucial for Beijer Group to show that the company is not losing pace and an ability to secure new larger project deals and improving the order intake over the coming quarters, as our case relies on its capacity to improve profitability by leveraging on increased sales volumes.

BELE is far from an old automation company, as its coming launch of a license-based software offering demonstrates. Its business is characterized by long relationships, with solutions designed into customers' systems, which suggests potentially durable competitive advantage due to switching costs. Repositioning as a leading provider of digital solutions should justify a higher valuation going forward.

Counter Thesis

Cyclical business

A large share of the group's revenues stems from industrial clients. Thus, there is an inevitable risk that its sales will be negatively affected in a period of economic downturn. On the other hand, it becomes especially important to focus on investments in improved efficiency in such an environment. The latter pertains to the group's value proposition, and this dynamic could thus dampen negative effects.

Looking back to 2009, sales dropped by 15% while EBIT decreased by 45%. Yet the company remained profitable with an operating margin of 6% and solid positive cash flows, thus demonstrating that it could manoeuver in this environment before returning to growth and increased profitability in 2010.

Failure to turn Korenix profitable

In recent years, Korenix has been hit by management problems, high staff turnover, and a strategic transformation. In 2018, the company negatively affected the group's EBIT by SEK -6m. Management claims that 2018 was a year of recovery and that Korenix should become profitable in 2019. The company is currently showing improvements, but there is still some work left before reaching break-even on EBIT-level (SEK -0.3m in Q2'19). There is, however, a risk that the turnaround could take longer time and that the company continues to burden the group's profitability.

Challenge to ramp up Westermo's supply

During H2'18, Westermo experienced delivery problems that have negatively affected its margins, owing to its high growth spurring production and supply chain challenges. Westermo has undertaken measures that should solve these problems, but there is a risk that it will longer time before the company returns to normal profitability levels. While showing rapid profitability improvements in Q1'19, the efforts in ramping up its production capabilities was said to have a negative impact on earnings in Q2'19. There is hence a risk of an extended profitability recovery.

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 points. The maximum score for a valuation key is 5 points.

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: 3

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.

INCOME STATEMENT	2017	2018	2019E	2020E	2021E
Net sales	1,206	1,417	1,550	1,720	1,871
Total operating costs	-1,116	-1,267	-1,320	-1,429	-1,544
EBITDA	90	151	230	291	327
Depreciation	-17	-18	-54	-54	-52
Amortization	-55	-58	-62	-68	-69
Impairment charges	0	0	0	0	0
EBIT	18	74	114	168	207
Share in profits	0	0	0	0	0
Net financial items	-22	-11	-11	-12	-11
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-4	63	103	156	196
Tax	-2	-20	-25	-34	-43
Net earnings	-5	44	78	122	153

BALANCE SHEET	2017	2018	2019E	2020E	2021E
Assets					
Current assets					
Cash in banks	89	94	125	218	301
Receivables	198	213	233	258	281
Inventories	169	206	233	241	262
Other current assets	68	68	68	68	68
Current assets	525	582	658	785	911
Fixed assets					
Tangible assets	85	91	168	136	107
Associated comp.	1	1	1	1	1
Investments	0	0	0	0	0
Goodwill	503	503	553	553	553
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	251	286	296	300	304
O non-current assets	2	2	2	2	2
Total fixed assets	843	883	1,021	992	967
Deferred tax assets	52	51	51	51	51
Total (assets)	1,419	1,515	1,730	1,827	1,930
Liabilities					
Current liabilities					
Short-term debt	47	50	82	70	65
Accounts payable	270	300	341	378	412
O current liabilities	0	0	0	0	0
Current liabilities	317	350	423	448	477
Long-term debt	459	460	538	510	460
O long-term liabilities	3	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	779	810	961	958	937
Deferred tax liab	49	49	49	49	49
Provisions	0	0	0	0	0
Shareholders' equity	585	653	716	816	940
Minority interest (BS)	6	4	4	4	4
Minority & equity	591	657	720	820	944
Total liab & SE	1,419	1,515	1,730	1,827	1,930

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	1,206	1,417	1,550	1,720	1,871
Total operating costs	-1,116	-1,267	-1,320	-1,429	-1,544
Depreciations total	-72	-77	-116	-122	-121
EBIT	18	74	114	168	207
Taxes on EBIT	-4	-23	-28	-37	-46
NOPLAT	14	51	86	131	161
Depreciation	72	77	116	122	121
Gross cash flow	86	128	202	254	282
Change in WC	0	-21	-5	4	-11
Gross CAPEX	-62	-117	-253	-94	-96
Free cash flow	24	-10	-56	163	175

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	42%	43%	42%	45%	49%
Debt/equity ratio	87%	78%	87%	71%	56%
Net debt	417	416	495	362	224
Capital employed	1,007	1,071	1,214	1,182	1,168
Capital turnover rate	0.9	0.9	0.9	0.9	1.0

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	8%	18%	9%	11%	9%
EPS growth (adj)	-97%	-898%	77%	57%	25%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	10.5 %	NPV FCF (2018-2028)	1149
		NPV FCF (2028+)	990
		Non-operating assets	77
		Interest-bearing debt	-588
		Fair value estimate MSEK	1544
Assumptions 2017-2023 (%)			
Average sales growth	7.1 %	Fair value e. per share, SEK	54
EBIT margin	11.5 %	Share price, SEK	47.1

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	-1%	7%	11%	16%	17%
ROCE	2%	7%	9%	12%	14%
ROIC	1%	5%	8%	11%	14%
EBITDA margin	7%	11%	15%	17%	18%
EBIT margin	1%	5%	7%	10%	11%
Net margin	0%	3%	5%	7%	8%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	-0.19	1.52	2.70	4.23	5.31
EPS adj	-0.19	1.52	2.70	4.23	5.31
Dividend	0.00	0.50	0.75	1.00	1.25
Net debt	14.58	14.51	17.19	12.59	7.80
Total shares	28.60	28.64	28.79	28.79	28.79

VALUATION	2017	2018	2019E	2020E	2021E
EV	1,284.2	1,458.2	1,857.9	1,724.6	1,585.8
P/E	-157.3	23.8	17.5	11.1	8.9
P/E diluted	-157.3	23.8	17.5	11.1	8.9
P/Sales	0.7	0.7	0.9	0.8	0.7
EV/Sales	1.1	1.0	1.2	1.0	0.8
EV/EBITDA	14.2	9.7	8.1	5.9	4.8
EV/EBIT	71.4	19.7	16.2	10.3	7.7
P/BV	1.5	1.6	1.9	1.7	1.4

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	-9.4 %	Net sales	13.4 %
3 month	-16.8 %	Operating profit adj	152.2 %
12 month	16.9 %	EPS, just	�
Since start of the year	30.1 %	Equity	10.4 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Stena	29.6 %	29.6 %
Svolder	11.6 %	11.6 %
Nordea Fonder	10.4 %	10.4 %
SEB Fonder	10.1 %	10.1 %
Fjärde AP-fonden	6.1 %	6.1 %
Torsten Bjurman	2.0 %	2.0 %
Humle Fonder	1.9 %	1.9 %
Cliens Fonder	1.7 %	1.7 %
Tredje AP-fonden	1.7 %	1.7 %
Nordnet Pensionsförsäkring	1.2 %	1.2 %

SHARE INFORMATION	
Reuters code	BELE
List	Small Cap
Share price	47.1
Total shares, million	28.8
Market Cap, MSEK	1355.8

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

FINANCIAL INFORMATION	
Q3 report	28 October, 2019

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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 AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.
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Redeye Rating (2019-07-17)

Rating	People	Business	Financials
5p	5	4	0
3p - 4p	33	25	16
0p - 2p	32	41	54
Company N	70	70	70

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CONFLICT OF INTERESTS

Dennis Berggren owns shares in the company : No

Henrik Alveskog 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.