

Beijer Group

Sector: Technology

Operating leverage in action

Redeye updates its estimates following Beijer Group's Q1 2023 report, which was stronger than anticipated. Order intake was above SEK600m for the fifth quarter in a row and for the first time, sales exceeded SEK600m as well, in part thanks to improved sales conversion for Westermo, which has struggled with component shortages. We are not making any larger adjustments as our estimates already include stable growth and margin expansion.

Record numbers

Beijer Group reported record sales and EBIT numbers in Q1 2023. Sales amounted to SEK623m, and for the first time, it exceeded the SEK600m mark. The additional volume trickled down to the EBIT, which tripled and came in at SEK85m. Thus, the growth rate was 42% y/y and the EBIT margin 13.7%. Our estimates were more conservative at SEK592m in sales (35% growth rate) and an EBIT of SEK66m (11.7% margin).

Order intakes

The order intake came in at SEK617m and was for the fifth quarter in a row above SEK600m. However, this was a decrease of 7% y/y, explained by Beijer Electronics' exceptional start of 2022, which created hard comps. Beijer Electronics decreased its order intake by 27% y/y, while Westermo grew it by 17% y/y. One important factor here has been that many Beijer Electronics' customers had started to normalize and shorten order horizons (going back to just-in-time management), and thus created a reverse effect from 2021/2022 when the component situation was so dire that many extended their order horizons to protect themselves (and thus boosted order intakes). On the other hand, one large Westermo customer extended its order horizon with Westermo in Q1 2023. There were also some uncertainties in the market, not least in Asia, impacting the order intake negatively.

No major adjustments – reiterating fair value range

We make no major changes to our forecast following the Q1 2023 report. We had already pencilled in a significant margin expansion during 2023, and one extra quarter does not move the needle very much in terms of the overall company value, but it reinforces our belief in Beijer Group's operating leverage and our near-term estimates. Our fair value range is still SEK65-170, with a base case of SEK120. The order intake's development in the coming quarters, not least on Beijer Electronics' side, will be a critical centrepiece as it will guide us on whether Beijer Group can take the next big step upward. Our current sales estimates need that additional order flow as the current order intake run rate is around SEK2.5bn.

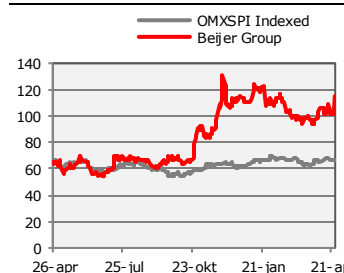
Beijer Group - near-term forecasts										Share price: 113			
(SEKm)	2020	2021	2022	Q1'23a	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e			
Net sales	1438	1619	2128	623	620	633	635	2511	2752	3005			
Growth (%)	-7,8%	13%	31%	41,7%	16,3%	11,7%	7,9%	18,0%	9,6%	9,2%			
EBITDA	164	218	355	123	123	129	131	506	592	664			
EBITDA margin (%)	11%	13%	17%	19,8%	19,8%	20,4%	20,6%	20,1%	21,5%	22,1%			
EBIT	16	68	201	85	85	91	93	354	427	475			
EBIT margin (%)	1,1%	4,2%	9,4%	13,7%	13,7%	14,4%	14,6%	14,1%	15,5%	15,8%			
EV/Sales								1,6	1,5	1,4			
EV/EBITDA								8,1	6,9	6,2			
EV/EBIT								11,5	9,6	8,6			
P/E								12,9	10,1	8,9			

Source: Beijer Group, Redeye Research

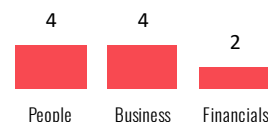
FAIR VALUE RANGE

BEAR	BASE	BULL
65	120	170

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	BELE
Market	Mid Cap
Share Price (SEK)	113
Market Cap (MSEK)	3283
Net Debt (MSEK)	805
Free Float	54%
Avg. daily volume ('000)	37

ANALYSTS

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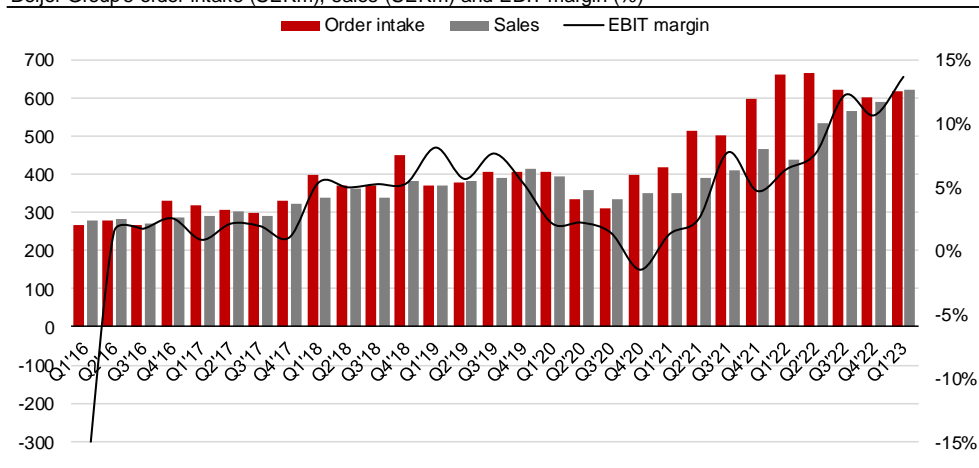
Q1 2023 Review

SEKm	Westermo			Beijer Electronics			Beijer Group		
	Q1'23	Q1'22	change	Q1'23	Q1'22	change	Q1'23	Q1'22	change
Order intake	355,7	303,0	17%	264,8	361,0	-27%	617,3	661,6	-7%
Sales	335,0	228,0	47%	291,4	214,0	36%	623,2	439,9	42%
EBIT	54,8	22,2	147%	44,0	17,0	159%	85,2	28,2	202%
EBIT-margin	16,4%	9,7%		15,1%	7,9%		13,7%	6,4%	

Sources: Redeye Research, Beijer Group

Beijer Group continued to strengthen sales and EBIT in Q1 2023, and both numbers achieved new records. Net sales amounted to SEK623m and EBIT SEK85m, translating into a growth rate of 42% y/y and a margin of 13.7%. EBIT grew by 202% y/y, thanks to the group's excellent operating leverage. Some currency tailwinds were also affecting the result, with about SEK7.6m. Still, one can summarize the report as stable, and sales came in 5% above our SEK592m estimate (35% growth y/y) and EBIT 33% above our SEK66m estimate (11.2% margin). As soon as volume increases, profitability follows.

Beijer Group's order intake (SEKm), sales (SEKm) and EBIT margin (%)



Source: Beijer Group, Redeye Research

Order intake and sales

Beijer Group's order intake was good and above SEK600m for the fifth quarter in a row. However, on a year-over-year basis, it decreased by 7% due to tough comps for Beijer Electronics. The business unit's order intake shrunk by 27% y/y and amounted to SEK265m (which is still good seen from a historical perspective). Some customers are starting to normalise their order horizons and one can see a clear downward trend in the business units' order intake from previous highs in Q1 and Q2 2022, where it achieved SEK>350m. In Q2 2022, Beijer Group commented on Beijer Electronics' order intake by writing: "This increase is broad-based, not least driven by higher demand in manufacturing and energy, but a clear uptum is also evident on the marine side due to rising sustainability standards. The new pattern of customer orders is sustaining: from just in time to longer horizons. This is positive because it improves transparency, and improves the potential to plan." Consequently, now it seems like the just in time inventory management is back and we see a reversal-effect. Moreover, management said on the Q1 2023 conf call that Beijer Electronics, in particular, follows the general economic industrial development, and that Asia had slowed down a bit (China, Taiwan, Southeast Asia). Worth mentioning is that China was extremely strong in the first half of 2022, and sales tripled year-over-year despite periodic lockdowns in the country, in part because

Beijer Electronics managed to supply its HMIs to the market when competitors had supply chain issues. Thus, there is a question mark here that will be interesting to follow in the coming quarters. There are still many long-term trends in favour of Beijer Electronics' solutions, such as EV charging stations and increased connectivity in factories, to name two, that will push the demand forward even in more uncertain times. However, one must keep in mind that the subsidiary is not an isolated island in the broader economy, with all its ebbs and flows. But compared to Q4 2022, the intake was kind of stable, which was a relief.

On the other hand, Westermo reported a record order intake of SEK356m in Q1 2023, up by 17% y/y. The subsidiary is less impacted by economic cycles as it mainly targets train, trackside, and energy market segments. Moreover, large orders can impact a single quarter's intake quite substantially and one should smooth out the trend rather than focus too much on a single quarter's number. "Luckily" for Westermo, the medium-term trend is almost as robust as the products themselves and there are few signs of market weakness at all. Q1 2023's order intake was partly boosted by a large customer in the train segment, which decided to extend its order horizon, but the impact was no more than 10%, to our understanding.

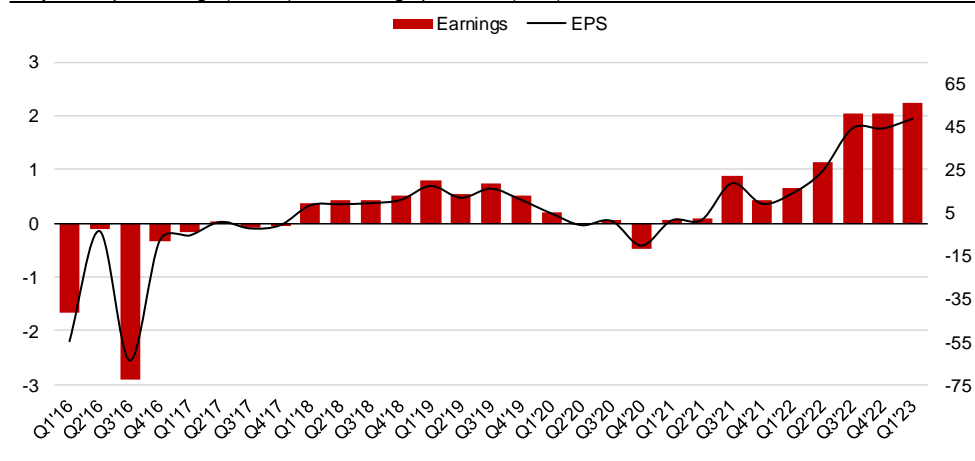
Beijer Group's order book was at SEK1.5bn and the book-to-bill ratio was around 1x. Sales conversions have improved for Westermo, even though supply chain issues still plague the business to some extent. Moreover, Beijer Electronics' sales conversion is quite fast and therefore normalises quicker.

Profitability

Beijer Group has an EBIT margin goal of 15% and it achieved 13.7% in Q1 2023, thus clearly indicating that the target is within reach. We believe the margin, in combination with a continued stable order intake, were the main reasons for the positive share price reaction after the report.

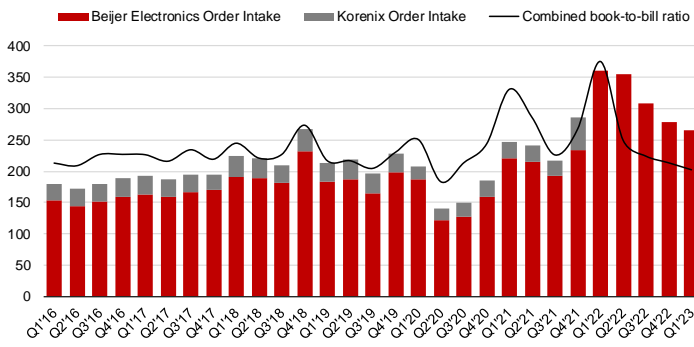
We were a bit surprised to see that Beijer Group was able to squeeze so much EBIT out of the additional sales given that the gross margin has not fully recovered. The absolute EBIT in Q1 2023 was SEK85m, compared to our SEK66m estimate. Even though we were quite far off, it appears as if we were one of the most optimistic forecasters of looking at consensus. The incremental EBIT margin in Q1 2023 was an impressive 31% (up from 26% in 2022) and thus shows that there is substantial operating leverage involved. Some currency effect also helped, with about SEK7.6m. In the ROIC segment, we dig deeper into the different sources of the margin improvement. The EPS strengthened from SEK0.56 to SEK1.95.

Beijer Group's earnings (SEKm) and Earnings per share (SEK)



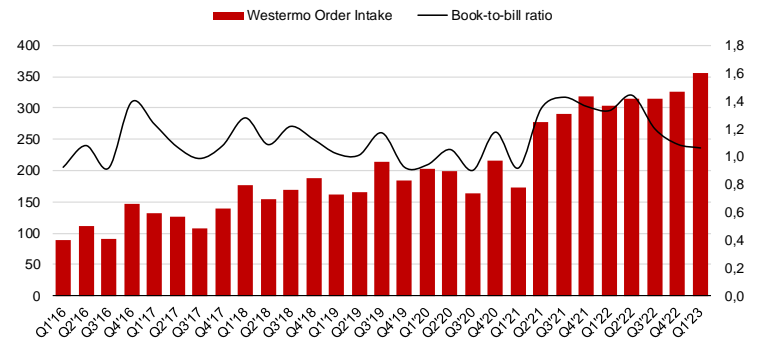
Source: Beijer Group, Redeye Research

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



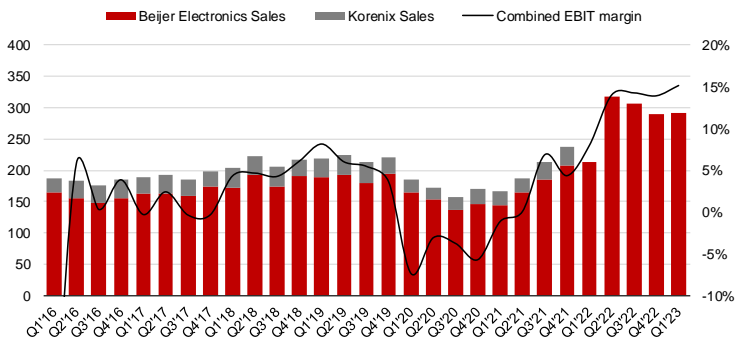
Source: Beijer Group, Redeye Research

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



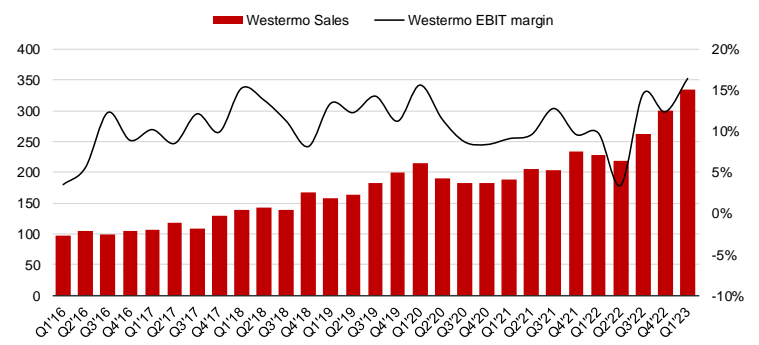
Source: Beijer Group, Redeye Research

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



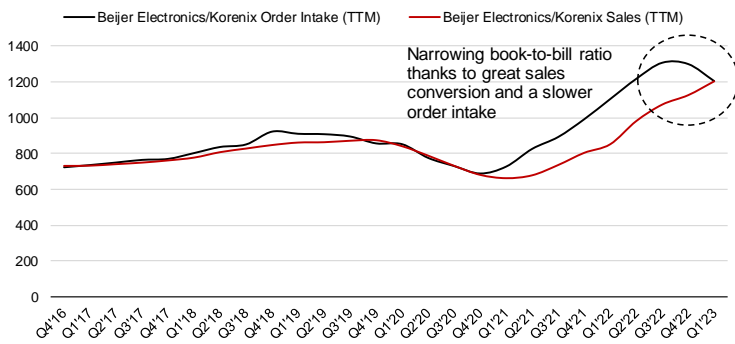
Source: Beijer Group, Redeye Research

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



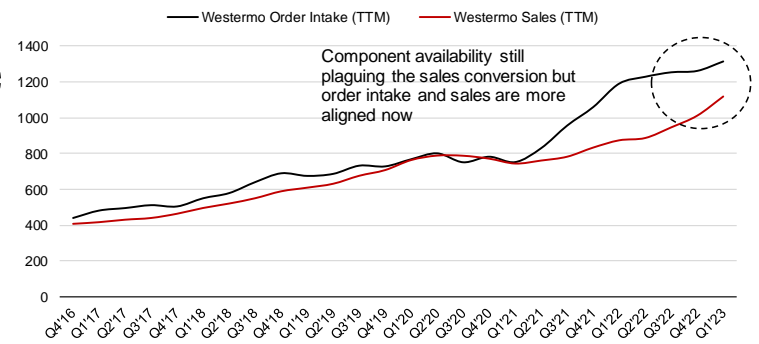
Source: Beijer Group, Redeye Research

Order intake and sales rolling-twelve (SEKm)



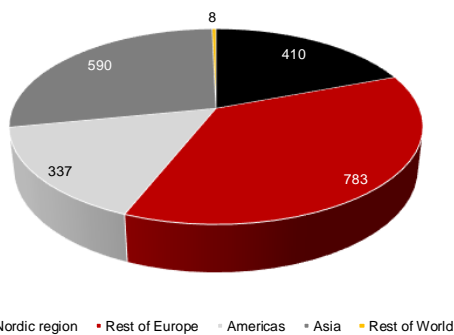
Source: Beijer Group, Redeye Research

Order intake and sales rolling-twelve (SEKm)



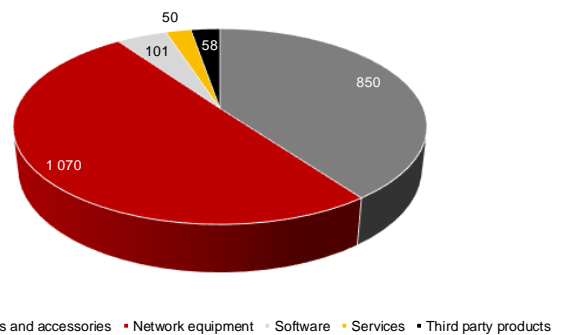
Source: Beijer Group, Redeye Research

Beijer Group's geographical sales distribution in 2022



Source: Beijer Group, Redeye Research

Beijer Group's category sales distribution in 2022

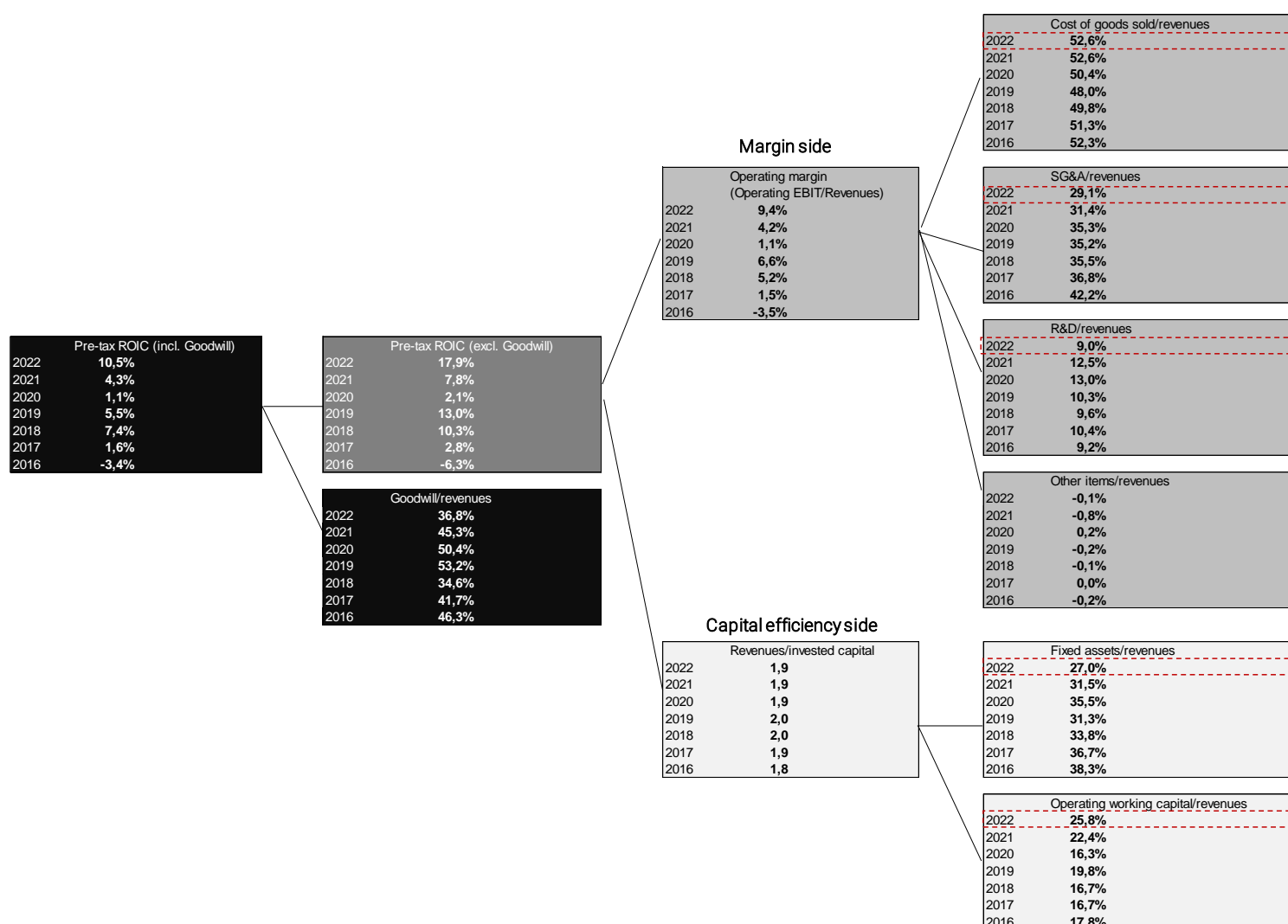


Source: Beijer Group, Redeye Research

Discussion of Beijer Group's ROIC tree

Return on invested capital (ROIC), growth and the cost of capital are main variables of value creation. Once a year, we like to take a deep dive into the ROIC tree in an update. This enables us to evaluate the company's returns on various investments, including sales reps, R&D, and new assembly lines, by analysing improvements and deteriorations in margin and capital efficiency. Beijer Group reported an operating margin of 9.4% and a capital efficiency ratio of 1.9x in 2022. This translated into a pre-tax ROIC of nearly 18% excluding goodwill and 10.5% including goodwill. We use a WACC of 9.5% for Beijer Group, meaning that it is now beginning to create real shareholder value, besides in terms of an appreciating share price from previous low levels. It clearly shows that Beijer Group has managed to make a successful turnaround, in our eyes.

Beijer Group's pre-tax ROIC tree 2016-2022 (Redeye's estimates)



Source: Beijer Group, Redeye Research

Comment on the margin side

Some of the main issues plaguing 2022 have been component shortages, highly priced components on the spot market, extensive re-planning and stoppages in production and in many cases even redesign of products, and lagging price hikes. Before the pandemic, Beijer Group made significant strides in improving its gross margin, from about 48% in 2016 to 52% in 2019, partly thanks to streamlining product families and supply chains. Then, the issues

above came into being, and the gross margin worsened as a consequence and went back to <48%. Nevertheless, on the bright side, 2022's numbers still show that, despite all the inflation and planning difficulties, Beijer Group has managed to stabilize the gross margin compared to 2021 (perhaps a weak SEK has helped a bit too), and we believe there is quite some room for margin recovery on this line item in the next few quarters and years as the component situation improves. The issues have primarily impacted Westermo. The subsidiary's products are designed to withstand very tough environments and the included electronic components are often unique, which has led to it being hit harder by the capacity shortage in the semiconductor industry.

In 2022, Beijer Group reported an operating margin of 9.4%, despite the gross margin squeeze, and there are thus a few percentage points to gain potentially here, once the post-pandemic bottlenecks dwindle. Furthermore, we believe the gross margin has the potential to strengthen beyond the 2019 levels due to supply chain modifications and more focus on charging for software and service contracts (i.e., product mix). In the annual report of 2022, Beijer Group showed category sales distribution, and both software and service sales had grown substantially on a year-over-year basis. We are aware, however, that there could be some reclassification effects in play, and that former sales that were bundled under, for example, network equipment, now has been divided into different components, such as hardware and software, for example. Still, we find it encouraging. In Q1 2023, the gross margin was about 49%, so a small improvement compared to 2022 but still well below 2019.

The major improvements to the operating margin in 2022 came instead from the scaling effects on the SG&A and R&D expenses compared to sales. As more volumes are shipped, Beijer Group does not need to add a matching amount of SG&A (sales, marketing, and administrative resources), and as a percentage of sales, these expenses have gone from about 35% before the pandemic to 31.5% in 2021 and to 29% in 2022. This operational leverage has been an essential factor in the profitability equation and in line with management's message throughout the past couple of years. Moreover, Beijer Group has continuously invested a lot in R&D and created a rejuvenated product portfolio that now gains traction in the market. However, it seems right now that around SEK200m is the level where the company is comfortable with the return on investment. Thus, it has remained at approximately the SEK200m ballpark since 2020, give or take a few tens of million. Around 60% of the internal spending is related to software and to our understanding, the various bolt-on acquisitions have added both good hardware and software to the product portfolio. Still, the flattening of the R&D spending in absolute terms, while sales have continued to grow, has led to it going from an average of nearly 11.5% between 2018-2021 (i.e., after the turnaround) to "only" 9% in 2022. Needless to say, this gives a significant boost in the operating margin. In a scenario where Beijer Group would scale R&D in line with sales and keep R&D at around 11.5%, it would have to find an additional SEK50m in investment opportunities with current sales volumes on an annual basis. Maybe M&A can fill a "gap" here, but we must say that external purchases usually are riskier and pricier than internal projects that are developed in close collaboration with long-term customers. In Q1 2023, Beijer Group saw SG&A and R&D as percentages of sales go down to 27.5% and 8%, respectively, and that explain the operating margin improvement.

Comment on the capital efficiency side

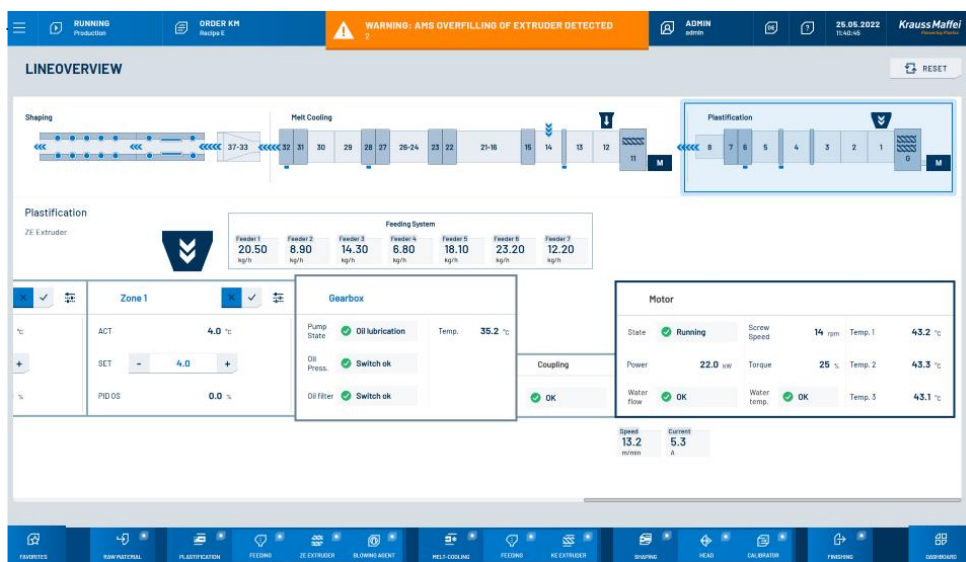
On the capital efficiency side, one can see that Beijer Group achieves substantially more sales on its fixed asset base thanks to better capacity utilization. In short, the factories and assembly lines are more active and spare capacity is better used. Thus far, we have yet to hear of any major fixed asset investments, but some additional capacity could be a topic as we advance and volumes further increase. On the conf call, management briefly discussed risks in its supply chains, and should something happen in the Taiwan Strait, there could be some severe effects. The decision to establish a production unit in Malmö was to reduce the risks and to get closer to large markets and important key customers with shorter lead times. The

complementary production facility, which is ready for the first deliveries already in the second half of 2023, will not move the needle much on the capital efficiency ratio.

On the other hand, the operating working capital side (we use 3% of sales as a proxy for operating cash) has deteriorated, mainly due to inventory build-up and accounts receivables on the asset side. We know that Westermo, for example, has to hold more components available in order to ship and fulfil customer orders on a reasonable time schedule. Moreover, if some "rare components become available, we believe Westermo usually make sure to stock some extra just in case. CEO, Jenny Sjö Dahl wrote in the Q1 2023 report that: "During the period, we saw an improvement in the general supply of electronic components, but a few suppliers still caused problems. A lesson learned from the shortage situation is that we have increased the inventory of certain critical key components, something that in the short term ties up capital and negatively affects cash flow, but which strengthens our ability to deliver in the future." These issues will likely improve over time, as worldwide supply chains return to some kind of normality again.

Acquisition of Smart HMI

On April 3, Beijer Group announced the acquisition of Smart HMI GmbH (100% of the shares), a company specialising in web technology-based visualisation software. Smart HMI, headquartered in Meerbusch, Germany, employs ten people and is in an early commercial phase with about EUR1m in sales. Beijer Group's CEO, Jenny Sjö Dahl, is quoted saying: "We are pleased to announce this strategic acquisition of Smart HMI and their technical platform WebIQ. We have cooperated with the company for some time already and the addition of this technology to our offering represents a significant growth potential for Beijer Electronics going forward."

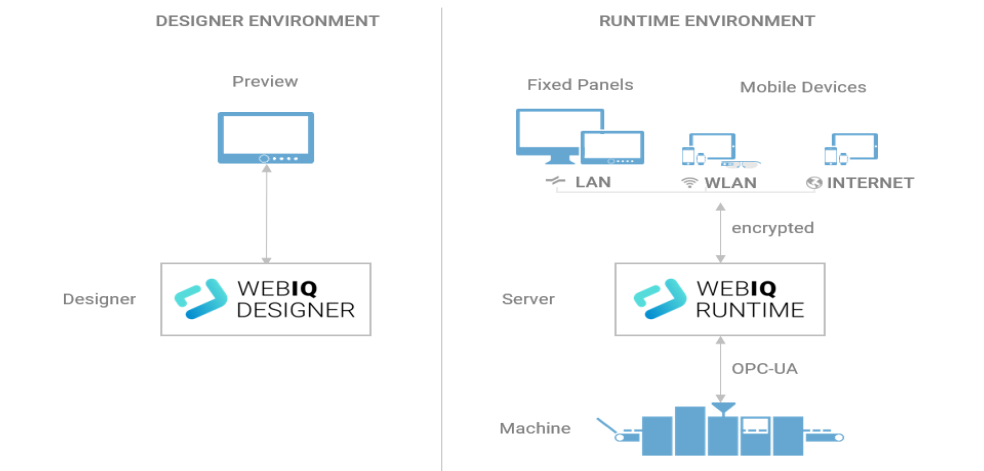


Source: Smart HMI

On Smart HMI's website, one can read that it has a "100% web technology based web HMI system with extensive design features to create breathtaking professional and performant web HMIs that allows you to distinguish your HMI from the competition." Moreover, on the website, one can see several case studies where customers such as iNOEX, KraussMaffei, and Fecken-Kirfel have designed widgets to visualise, monitor, and control different machine processes. Thus, it seems like Smart HMI fits well into Beijer Electronics and the company can likely leverage the extensive customer base and salesforce. Axel Gustafson, Vice President Product

Management at Beijer Electronics adds: "Platform-independent web-based technologies are increasingly in demand and are an important part of Beijer Electronics' product strategy." He also emphasises that Smart HMI aligns well with the company's future product map, hinting towards the software component's importance in a well-rounded offering.

WebIQ



Source: Smart HMI

The acquisition will be made at a purchase price of EUR5.2m on a cash/debt-free basis, paid in cash, and financed through the group's existing financing agreement. Additionally, a smaller performance-based consideration will be paid at a later date, subject to certain criteria being met. At first glance, this might look expensive, given the EUR1m in sales, but one must remember that Smart HMI is in an early commercial phase and that Beijer Group's worldwide sales organisation will help increase that number quite rapidly. Egbert Gunia, founder of Smart HMI says: "our combined competences will create a stronger offering for the industrial automation and IIoT markets" and we believe that the payback is likely to be rather quick. It will certainly support Beijer Electronics' sales efforts.

The acquisition will have a limited impact on Beijer Group's earnings in 2023. We do like the fact that it seems like Beijer Electronics and Smart HMI have collaborated for some time, meaning they should know each other and each other's products well. This is preferable from a risk perspective and in line with previous bolt-on acquisitions that Beijer Group has conducted.

Estimates

In the report, Beijer Group gave a short 2023 outlook: "Beijer Group strives to reach the financial goals that were decided in 2022. The Group operates in attractive markets with good underlying growth and in the long term has good prospects for reaching both the growth and profitability goals. The world situation and the global economic development are still uncertain, but stable demand during the first quarter and a continued strong order book give confidence about the development in the near term."

Beijer Group has an order book of SEK1.5bn (about 2.5 quarters of sales) and the current run-rate of the SEK617m order intake translates into approximately SEK2.5bn in sales on an annual basis. Thus, the current run-rate is enough for our SEK2.5bn 2023e estimate, but not for the 2024e and 2025e estimates. It seems like there is good demand in Americas and EMEA, while Asia is a bit slower (mainly China, but also Taiwan and Southeast Asia). On the Q4 2022 conf call, management said, however, that it was cautiously optimistic about China coming back and picking up pace again. This was, in part, because there are some Chinese customers that Beijer Group has design wins with that could lead to an improved order intake later in the year. One such customer was the big car manufacturer BYD (Build Your Dreams), which is a buyer of X2 panels.

Thus, we keep our estimates more or less as they are. We argue that Beijer Group is exposed to several mega-trends, which should give the growth more robustness. For example, Westermo's push into the energy segment should be relatively non-cyclical. It signed American Electric Power in the US and will help the company upgrade its infrastructure. American Electric Power is set to do it step-wise, starting in Ohio Valley. As it operates in 11 states, the process will likely take a few years, and should translate into recurring revenues over time, even if the economic outlook darkens. Similarly, Beijer Electronics is also part of the infrastructure build-up in the US, partly boosted by Biden's "Build Back Better" plan. It delivers panels to Delta Electronics, a Taiwanese company supplying EVgo in the US, which is one of the most prominent players in EV charging station infrastructure in the country. Investments like that should give a good medium-term tailwind for Beijer Group's order intake and sales. We are, however, on our toes and will change the estimates should the demand weaken too much in the coming quarters in such a way that our 2024e estimate would be in danger. We make a small shuffle where we increase Westermo's sales slightly while lowering Beijer Electronics one notch. EBIT margins are still forecasted to strengthen substantially with more volumes.

Beijer Group: Estimates, '21-'25e									
(SEKm)	2021	2022	Q1'23a	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e
Sales (group adjusted)	1 619	2 128	623	620	633	635	2 511	2 752	3 005
growth y/y	3,9%	31%	41,7%	16,3%	11,7%	7,9%	18,0%	9,6%	9,2%
Beijer Electronics	806	1128	291	292	297	291	1170	1229	1339
Westermo	831	1010	335	329	336	345	1344	1542	1681
Total costs (excl. D&A)	1 401	1 774	500	497	504	504	2 006	2 160	2 341
EBITDA	218	355	123	123	129	131	506	592	664
(%)	13,5%	16,7%	19,8%	19,8%	20,4%	20,6%	20,1%	21,5%	22,1%
D&A	150	154	38	38	38	38	152	166	189
EBIT	68	201	85	85	91	93	354	427	475
(%)	4,2%	9,4%	13,7%	13,7%	14,4%	14,6%	14,1%	15,5%	15,8%

Source: Beijer Group, Redeye Research

Beijer Group: Estimate changes, '23e-'25e									
(SEKm)	Old			New			Changes		
	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e
Sales	2505	2790	3043	2511	2752	3005	0%	-1%	-1%
EBIT	326	432	481	354	427	475	9%	-1%	-1%

Source: Redeye Research

Valuation

SaaS Company	EV/SALES			EV/EBIT (x)			Sales growth			EBIT margin		
	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E
CTT	7,2	5,1	3,9	20	15	12	30%	40%	28%	36%	33%	33%
Hexagon	5,8	5,3	4,8	21	18	17	6%	6%	6%	28%	29%	29%
Tomra	3,6	3,3	2,9	28	23	19	13%	9%	13%	13%	14%	15%
Troax	4,7	4,4	4,1	26	23	20	-6%	6%	6%	18%	19%	20%
HMS	7,4	7,3	6,7	30	30	28	16%	0%	7%	25%	24%	24%
Belden	1,4	1,3	1,3	9	8	7	3%	4%	2%	16%	16%	17%
Advantech	3,7	3,3	2,9	20	18	15	6%	10%	13%	18%	18%	19%
Spectris	2,6	2,4	2,3	16	15	13	7%	5%	6%	17%	17%	18%
Siemens	1,9	1,8	1,7	14	12	11	7%	5%	5%	14%	15%	15%
Rockwell	3,9	3,7	3,4	20	19	17	12%	5%	5%	19%	20%	20%
Average	4,2	3,8	3,4	20,3	18,1	15,9	9%	9%	9%	20%	21%	21%
Median	3,8	3,5	3,2	20,2	18,2	16,0	7%	6%	6%	18%	19%	19%
Beijer Group	1,6	1,5	1,4	11,5	9,6	8,6	18,0%	9,6%	9,2%	14,1%	15,5%	15,8%

Source: Redeye, Company reports, FactSet

Beijer Group is still priced below many of its peers, which many times are substantially larger in size. We also believe, although to a lesser extent than before, that Beijer Group has had a "historical discount" because of its turnaround years. The order intake, coupled with improved sales conversion and margins with the added volumes, paints a more optimistic picture. Today, it seems that the market has a 'wait and see' stance, which we believe will continue to change gradually as the group hits its financial targets and, from there, start looking forward to the business model's inherent long-term potential. Between the Q3 and Q4 reports, Beijer Group's share appreciated from about SEK68 to SEK120, an increase of approximately 75%(!). The share has "stabilised" in a range of around SEK100-120 since then.

Bear Case SEK65

- CAGR sales ~6.5% next ten years
- Average EBIT margin of ~10% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 6%

In our bear case, we assume an economic slowdown where the order intake takes a near-to-medium-term dive. 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 SEK120

- CAGR sales ~10% next ten years
- Average EBIT margin of ~14.5% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 8%

Beijer Group grows at around 10% annually, in line with its financial target. Meanwhile, it strengthens its margins and has an average of about 14.5%, which is also slightly more conservative compared to the >15% margin target. The EBIT margin peaks at almost 16% and then goes down as competition increases in its segment. Beijer Group has, nonetheless, substantially higher 'lower levels' in this scenario and the growth runway (durability) is also a bit longer in this scenario.

Bull Case SEK170

- CAGR sales ~11.5% next ten years
- Average EBIT margin of ~15% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 10%

Beijer Group exceeds the growth target of a 10% 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 also improves its 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	2021	2022	2023E
INCOME STATEMENT				
Revenues	1438	1619	2128	2511
Cost of Revenues	724	852	1052	1275
Gross Profit	713	767	1076	1236
Operating Expenses	549	549	722	731
EBITDA	164	218	355	505
Depreciation & Amortization	148	150	154	152
EBIT	16	68	201	353
Net Financial Items	-22	-19	-15	-26
EBT	-6	50	186	326
Income Tax Expenses	0	14	40	73
Non-Controlling Interest	4	4	5	5
Net Income	-6	36	146	253
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	121	147	160	251
Inventories	177	328	436	332
Accounts Receivable	251	297	417	447
Other Current Assets	46	62	63	75
Total Current Assets	595	834	1076	1106
Non-current assets				
Property, Plant & Equipment, Net	96	85	80	100
Goodwill	766	734	783	783
Intangible Assets	267	325	349	391
Right-of-Use Assets	99	96	82	142
Shares in Associates	0	0	0	0
Other Long-Term Assets	61	65	62	57
Total Non-Current Assets	1289	1305	1357	1473
Total Assets	1884	2139	2433	2579
Liabilities				
Current liabilities				
Short-Term Debt	153	299	242	0
Short-Term Lease Liabilities	30	36	36	40
Accounts Payable	103	160	215	192
Other Current Liabilities	153	213	242	264
Total Current Liabilities	439	708	734	496
Non-current liabilities				
Long-Term Debt	410	384	444	496
Long-Term Lease Liabilities	69	59	46	102
Other Long-Term Liabilities	326	255	215	251
Total Non-current Liabilities	804	697	704	849
Non-Controlling Interest	4	4	5	5
Shareholder's Equity	637	729	989	1230
Total Liabilities & Equity	1884	2139	2433	2579
CASH FLOW				
NOPAT	16	49	158	274
Change in Working Capital	37	-89	-146	65
Operating Cash Flow	194	85	201	500
Capital Expenditures	-59	-66	0	-38
Investment in Intangible Assets	-23	-112	0	-104
Investing Cash Flow	-82	-178	-125	-167
Financing Cash Flow	-101	114	-79	-240
Free Cash Flow	112	-93	201	358

SHARE INFORMATION

Reuters code	BELE.b
List	Mid Cap
Share price	
Total shares, million	29

MANAGEMENT & BOARD

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CFO	Joakim Laurén
Chairman	Bo Elissson

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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 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 (2023-04-28)

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.