

# Beijer Group

Sector: Technology

## Forming a New Base

Redeye updates its estimates following Beijer Group's Q4 2022 report. The company's sales were above our estimate by around 3.5%. At the same time, the EBIT and EBIT margins were weaker than anticipated, mainly because of increased purchases on the spot market to fill orders. Q4 2022 marked the end of a successful year for Beijer Group, which has formed a new base in terms of both order volume and profitability in recent times. Redeye ups its medium-term forecasts to reflect this shift, leading to an increased base case.

### Q4 2022 – ending a successful year with a stable quarter

Beijer Group achieved an order intake of SEK>600m in Q4 2022, meaning that every quarter in 2022 surpassed the SEK600m mark. Meanwhile, sales amounted to SEK588.6m, slightly above our estimate of SEK569m. Beijer Group grew by 26% y/y and 19% currency adjusted. However, profitability suffered a bit due to increased input prices as Westermo was forced to buy on the spot market. Nevertheless, even if Beijer Group's EBIT was somewhat below our estimate, it still amounted to SEK62.7m, translating into a margin of 10.7%, which is a clear step-up compared to previous years' levels.

### Financial targets

Beijer Group held a capital markets day on December 7, outlining its financial targets of an average organic growth rate of 10%, with the possibility of added inorganic growth on top. Moreover, the new EBIT goal is 15% for the whole group, meaning that subsidiaries should be able to succeed that margin in order to carry the group's overhead costs. Lastly, dividends are to be expected going forward, as it was labeled a "hygiene factor" for a company such as Beijer Group.

### New base case – focus on the medium-term sales and profitability

We increase our base case from SEK98 to SEK120 following the Q4 2022 report and the increased financial targets. We mainly boost our medium-term sales and EBIT margins, as we believe Beijer Group has proved its turnaround to be robust at this point. Consequently, we agree with Beijer Group's management that it has formed a new base, where one can expect reasonable growth over an economic cycle combined with stable margins.

#### Beijer Group - near-term forecasts

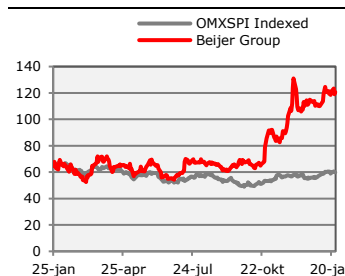
	2020	2021	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e
Share price: 113										
(SEKm)										
Net sales	1438	1619	2128	592	606	643	664	2505	2790	3043
Growth (%)	-7.8%	13%	31%	34.5%	13.6%	13.5%	12.9%	17.7%	11.4%	9.0%
EBITDA	164	218	355	103	108	128	136	474	596	670
EBITDA margin (%)	11%	13%	17%	17.4%	17.8%	19.9%	20.4%	18.9%	21.4%	22.0%
EBIT	16	68	201	66	71	91	98	326	432	481
EBIT margin (%)	1.1%	4.2%	9.4%	11.2%	11.7%	14.1%	14.8%	13.0%	15.5%	15.8%
EV/Sales								1,6	1,4	1,3
EV/EBITDA								8,4	6,7	6,0
EV/EBIT								12,3	9,3	8,3
P/E								13,7	9,8	8,7

Source: Beijer Group, Redeye Research

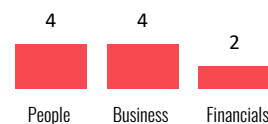
### FAIR VALUE RANGE

BEAR	BASE	BULL
65	120	170

### VERSUS OMXS30



### REDEYE RATING



### KEY STATS

Ticker	BELE
Market	Mid Cap
Share Price (SEK)	113
Market Cap (MSEK)	3272
Net Debt (MSEK)	734
Free Float	53%
Avg. daily volume ('000)	36.5

### ANALYSTS

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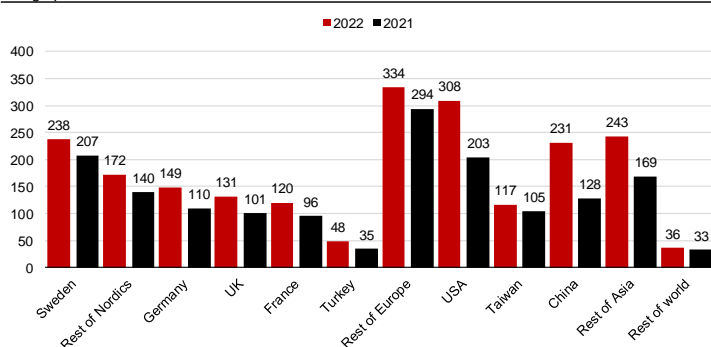
## Q4 2022 Review

SEKm	Westermo			Beijer Electronics			Beijer Group		
	Q4'22	Q4'21	change	Q4'22	Q4'21	change	Q4'22	Q4'21	change
Order intake	325,9	317,5	3%	278,6	281,6	-1%	602,8	597,2	1%
Sales	299,6	234,4	28%	290,6	233,8	24%	588,6	466,4	26%
EBIT	36,9	22,4	65%	40,3	10,3	291%	62,7	21,9	186%
EBIT-margin	12,3%	9,6%		13,9%	4,4%		10,7%	4,7%	

Sources: Redeye Research, Beijer Group

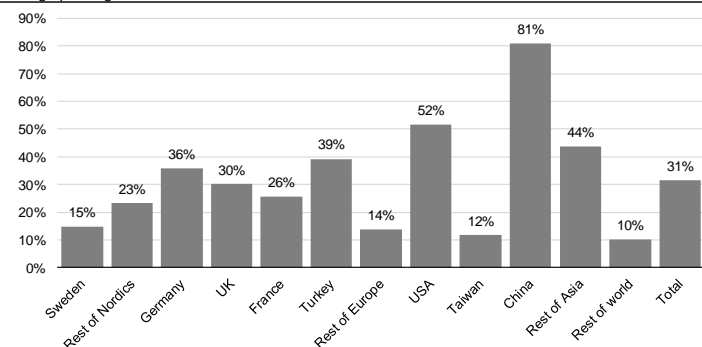
Beijer Group achieved an order intake of SEK>600m in Q4 2022, meaning that every quarter in 2022 surpassed the SEK600m mark. This is a clear step-up compared to 2021 and 2020, where the order intakes averaged around SEK500m and SEK360m, respectively. Moreover, the demand appears to be broad-based, both across geographies and products. The geographical sales distribution and growth rates in 2022 reflect this well. All markets, as indicated below, were growing, which thus makes the growth more robust. Nevertheless, three markets stand out: 1) US, 2) China, and 3) Rest of Asia. All are big and important growth markets that have performed well in 2022.

Geographical sales distribution in 2022 and 2021



Source: Beijer Group, Redeye Research

Geographical growth rates in 2022



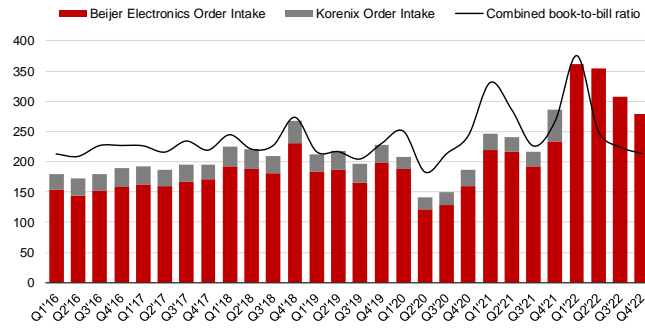
Source: Beijer Group, Redeye Research

However, the momentum has slowed a bit compared to H1 2022, where the quarterly order intakes exceeded SEK660m. Consequently, Beijer Group could face some tough comps in early 2023 if it does not find another gear. Westermo's order intake has been more or less around SEK300-325m per quarter, while Beijer Electronics' intake has "bounced" in a range of approximately SEK360m to SEK280m. Our eyes are thus primarily on Beijer Electronics, where the Chinese demand has been an important factor for its record-breaking year. The Chinese demand has slowed down in recent time and has primarily hit Beijer Electronics. However, on the conf call, management said that it was cautiously optimistic about the Chinese demand coming back in the latter part of 2023. One reason is that Beijer Electronics' panels have won some significant design wins with important customers like BYD (a company that operates within the automotive, rail transit, renewable energy, and electronics industry). This is something we will monitor closely.

Beijer Group's sales amounted to SEK588.6m, up by 26% y/y and 19% y/y in constant currency. This was a 3.4% beat of our SEK569m estimate, and primarily due to Westermo performing better than expected. However, we had anticipated an EBIT of SEK71m, compared to Beijer Group's reported SEK62.7m. This was around 12% below our estimate. The culprit can be found in the expensive purchases of components on the spot market for Westermo in order to increase deliveries and close the gap between incoming orders and sales. The spot price purchases impacted the margin negatively in the business segment by SEK12m, which is quite

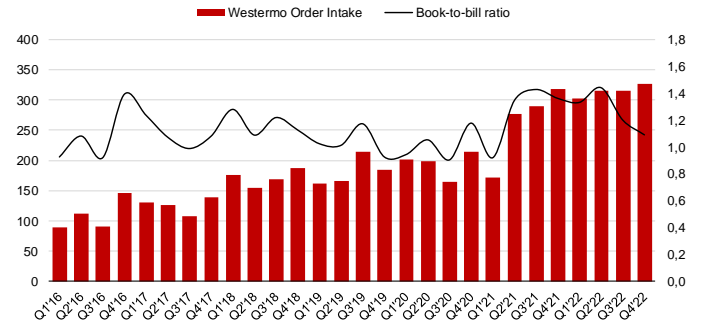
a substantial number. On the other hand, SEK12m should be measured to cheerful customers and repeat business later on, to margins that will be higher. It seems like the component shortage has eased in some areas, but since Westermo's products need very specific key components, it is still plagued by a few "stragglers." As mentioned many times before, even if 99 out of 100 components are delivered from suppliers, the last one can prohibit an order from being shipped if it is a critical component (tied to certifications and quality specifications, etc.). The book-to-bill ratio for the group was close to 1x.

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



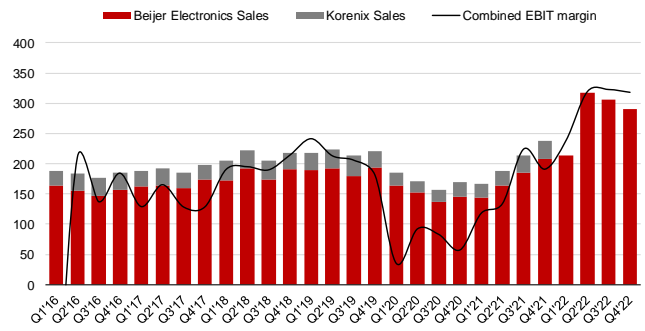
Source: Beijer Group, Redeye Research

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



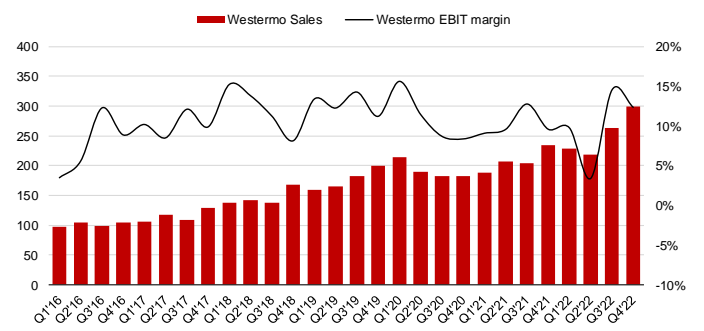
Source: Beijer Group, Redeye Research

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



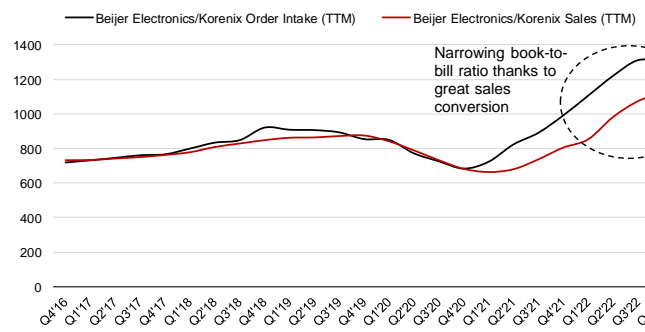
Source: Beijer Group, Redeye Research

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



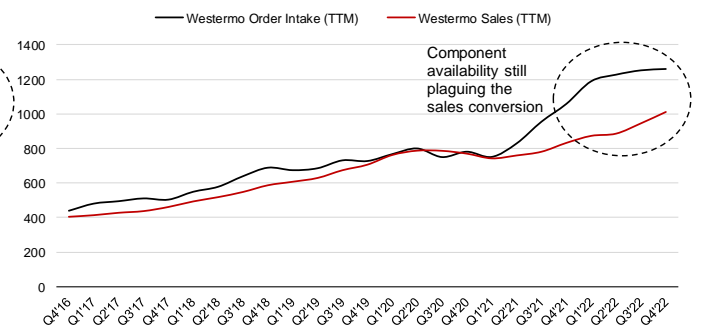
Source: Beijer Group, Redeye Research

Order intake and sales rolling-twelve (SEKm)



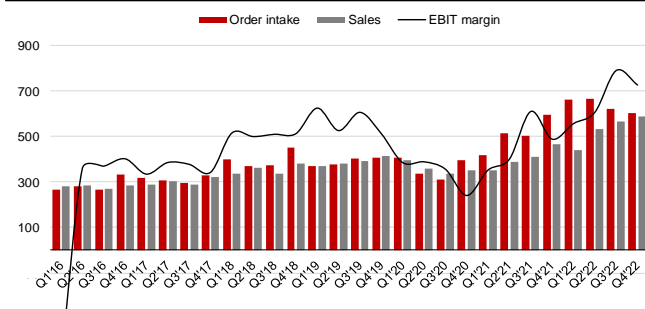
Source: Beijer Group, Redeye Research

Order intake and sales rolling-twelve (SEKm)



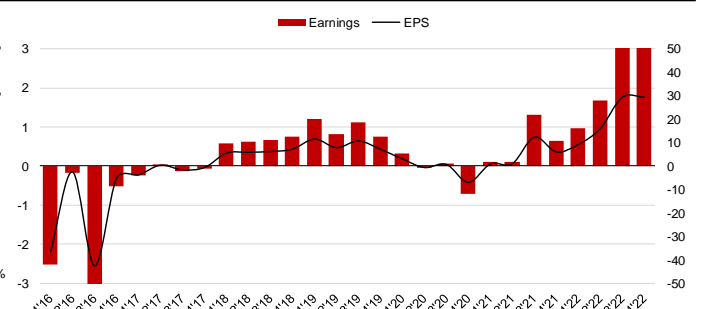
Source: Beijer Group, Redeye Research

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



Source: Beijer Group, Redeye Research

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



Source: Beijer Group, Redeye Research

## Key takeaways from Beijer Group's Capital Markets Day

On December 7, 2022, Beijer Group held a capital markets day (CMD), where it presented a few interesting things. We will summarize some of the key points here and highlight noteworthy topics.



Source: Beijer Group

### Financial targets

First, Beijer Group altered its financial targets a little. Previously, one could find in the annual report the following segment: "Beijer Group's overall strategy is to create profitable growth by developing and acquiring companies with a high level of technological expertise and strong positioning on growth markets. Beijer Group's holdings should have the capability of achieving minimum yearly organic growth of 10%, and the potential to deliver an EBIT margin of 15%."

Now, Beijer Group clearly stated that the full group should be able to achieve 10% in average annual organic growth, with the addition of acquired growth on top. Moreover, the group is expected to be able to achieve an EBIT margin of 15%, which is slightly higher than the previous target, where the subsidiaries ought to achieve the 15% margin, as the group has some overhead costs as well.

The 15% EBIT margin is expected to be achieved by:

- Continued growth momentum in attractive markets (increased sales volumes).
- Efficiency gains.
  - The component shortages, which have caused various stops-and-starts in production due to the (un)availability of key parts, leads to very inefficiently run plants. Poor visibility hinders good planning and here efficiency gains are to be expected once the component issues are solved (somewhat outside of Beijer Group's reach and primarily impacting Westermo).
- Product mix and increased focus on software and service offering.
  - <10% of sales stem from software today, but cybersecurity is an important catalyst as it "teaches" customers that they should pay for good and critical software.
- Focus on "high margin pockets" within key segments.
  - EV chargers for Beijer Electronics and the power grid for Westermo are two examples.

Management also expressed their view of dividends as a “hygiene factor” for a company like Beijer Group, labeling it as “a dividend-paying company.”

Beijer Group has achieved an organic growth rate of approximately 8% since 2017, and the EBIT margin has strengthened from around 1.5% in 2017 to 9.4% in 2022. Consequently, Beijer Group has moved in the right direction but still has some room for improvement, which we like to see when companies state financial targets.

### Keys to success

On the CMD, management talked about different success factors for Beijer Group and its subsidiaries. CEO Jenny Sjö Dahl mentioned two vital points: 1) operate in attractive markets, characterized by structural growth and the possibility to earn a profit, 2) have an offering that solves customers’ real needs.

It might sound almost laughably simple, but we argue that these two points have been critical for Beijer Group’s successful turnaround after the “Mitsubishi Electric divorce.” Beijer Group identified attractive markets, such as the WeGrow initiatives with train, trackside, and power distribution, and invested heavily in them to have a product and support offering that really solved customers’ needs in these segments. Beijer Electronics has similarly zeroed in on some attractive pockets, such as EV chargers and panels in different types of specific application areas like the marine segment. We are also aware of Beijer Group’s efforts to change the company’s culture to improve product development and sales.



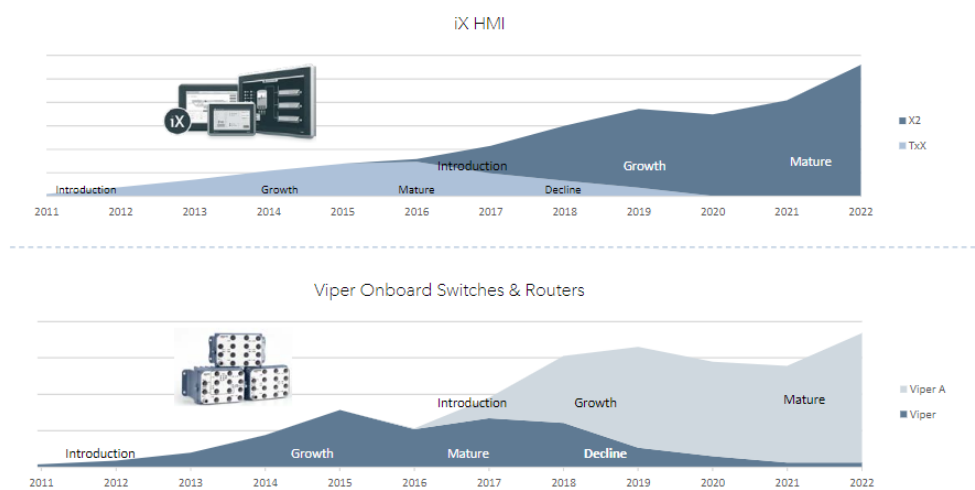
Source: Beijer Group

Mrs. Sjö Dahl also said (paraphrased by us) that product development is the lifeblood of a technology company. Beijer Group has spent about 10-12% of its sales on R&D for several years, which is quite high for an industrial company. Moreover, it did not reduce these investments during the pandemic but instead kept investing in order to have a first-rate and rejuvenated product portfolio ready once the demand was set to rebound (which it did).

Around 60% of the R&D is within software today (the combo of hardware and software is key), and the group is also working on expanding its service sales (training, configurations, etc.). Many of these tasks are already being conducted by Beijer Group’s organization, but a repackaging of the service offering will make it more “sellable” to our understanding. Cybersecurity has been a catalyst for both the service offering, but also to change of customers’ attitudes towards paying for software.

Another interesting topic on the CMD was how closely Beijer Group developed its products with larger customers. VP of sales at Westermo, Erik Danielsson, illustrated this with the R&D process in the train segment, where Bombardier (now part of the Alstom sphere) had been a critical sounding board. CEO Jenny Sjö Dahl also underlined this collaboration and used Viper onboard switches and routers as an example (one of the group’s most successful products). Similar processes can be found for Beijer Electronics, with, for example, X2 Marine and Alfa

Laval. Since Beijer Group is so close to its customers, few R&D projects “go to waste”, so to speak, as the new products/services overlap with real customer needs. This, in combination with the good demand for the rejuvenated product portfolio, are good telltale sign of a well-defined strategy.



Source: Beijer Group

### Competitive advantages

Management also listed a few competitive advantages for each business segment, which we believe are interesting to repeat and summarize here.

For Westermo, reliability and quality are parts of Westermo’s DNA and important for the brand. The organization has deep domain knowledge (it is working very much in certain focus areas such as the train segment). Westermo usually has a local presence in its markets and is thus close to the customers, while, in comparison, some competitors work more extensively through distributors instead. Westermo has a rejuvenated and first-rate product portfolio.

## WESTERMO - STRATEGY

We are the partner of choice for customers with mission critical industrial networks, offering the most reliable and secure network solutions and best in class customer service in our industry.



Source: Beijer Group

For Beijer Electronics, a similar focus on quality is essential. Moreover, the products have open communication (agnostic to different brands), meaning that they can be deployed widely without much “fuzz”. Cybersecurity has been an important factor in Beijer Electronics’ R&D programs, something that is extra important when products are being used in critical infrastructure.

# BEIJER ELECTRONICS - STRATEGY

By connecting people and technology, we are the trusted industry partner for process-critical applications, delivering open and flexible digital solutions.

## WHERE TO PLAY



MANUFACTURING



INFRASTRUCTURE



ENERGY



MARINE

## HOW TO WIN



DEEP CUSTOMER INSIGHTS



RELIABLE, SECURE AND HIGH-QUALITY HARDWARE AND SOFTWARE



PRODUCTS WITH OPEN COMMUNICATION AND FLEXIBLE SOFTWARE



CYBER SECURE CONNECTIVITY

Source: Beijer Group

## Estimates

We increase the short-term sales numbers slightly but would also like to caution a bit since the order intake growth has slowed in H2 2022 compared to H1 2022. However, Westermo could win a larger order, and Beijer Electronics' Chinese order intake could speed up again in the latter half of 2023. The good overall momentum for the products is a very positive sign, nonetheless.



Source: Beijer Group

Moreover, 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.

Beijer Group: Estimates, '21-'25e									
(SEKm)	2021	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e
<b>Sales (group adjusted)</b>	<b>1 619</b>	<b>2 128</b>	<b>592</b>	<b>606</b>	<b>643</b>	<b>664</b>	<b>2 505</b>	<b>2 790</b>	<b>3 043</b>
<i>growth y/y</i>	3,9%	31%	34,5%	13,6%	13,5%	12,9%	17,7%	11,4%	9,0%
Beijer Electronics	806	1128	291	301	315	320	1227	1312	1430
Westermo	831	1010	300	304	329	345	1278	1493	1628
Total costs (excl. D&A)	1 401	1 774	489	498	515	529	2 031	2 194	2 373
<b>EBITDA</b>	<b>218</b>	<b>355</b>	<b>103</b>	<b>108</b>	<b>128</b>	<b>136</b>	<b>474</b>	<b>596</b>	<b>670</b>
(%)	13,5%	16,7%	17,4%	17,8%	19,9%	20,4%	18,9%	21,4%	22,0%
D&A	150	154	37	37	37	37	148	163	189
<b>EBIT</b>	<b>68</b>	<b>201</b>	<b>66</b>	<b>71</b>	<b>91</b>	<b>98</b>	<b>326</b>	<b>432</b>	<b>481</b>
(%)	4,2%	9,4%	11,2%	11,7%	14,1%	14,8%	13,0%	15,5%	15,8%

Source: Beijer Group, Redeye Research

Our largest changes are mainly to the medium-term sales growth and EBIT margins, where we have put ourselves in touching distance to the financial targets of around 9% organic annual growth rate and an EBIT margin of ~14% (to simulate some competitive forces down the road).



## Valuation

Company	Sales			EV/SALES			EV/EBIT (x)			Sales growth			EBIT margin		
	22E	22E	23E	24E	22E	23E	24E	22E	23E	24E	22E	23E	24E		
CTT	244	12,2	8,9	6,2	30	23	17	61%	35%	41%	41%	39%	36%		
Hexagon	57 332	6,0	5,7	5,2	22	21	18	27%	3%	7%	28%	28%	28%		
Tomra	11 926	4,6	4,1	3,7	38	29	25	9%	13%	8%	12%	14%	15%		
Troax	3 145	4,1	4,6	4,2	23	25	21	19%	-12%	7%	18%	18%	20%		
HMS	2 419	6,7	6,2	5,8	27	25	24	23%	7%	5%	25%	24%	24%		
Belden	2 592	1,4	1,4	1,3	9	9	8	8%	-1%	5%	15%	15%	16%		
Advantech	69 574	3,6	3,3	3,0	19	18	16	19%	6%	10%	18%	18%	19%		
Spectris	1 278	2,4	2,3	2,1	15	14	12	-4%	4%	4%	16%	17%	17%		
Siemens	71 977	2,2	2,0	1,9	17	16	13	16%	5%	4%	13%	13%	14%		
Rockwell	7 760	4,5	4,1	3,9	26	22	20	11%	9%	5%	17%	19%	19%		
<b>Average</b>	<b>22 825</b>	<b>4,8</b>	<b>4,3</b>	<b>3,7</b>	<b>23</b>	<b>20</b>	<b>18</b>	<b>19%</b>	<b>7%</b>	<b>10%</b>	<b>20%</b>	<b>21%</b>	<b>21%</b>		
<b>Median</b>	<b>5 453</b>	<b>4,3</b>	<b>4,1</b>	<b>3,8</b>	<b>23</b>	<b>21</b>	<b>18</b>	<b>17%</b>	<b>6%</b>	<b>6%</b>	<b>18%</b>	<b>18%</b>	<b>19%</b>		
Beijer Group	2128	1,9	1,6	1,4	20	12	9	31%	18%	11%	9%	13%	16%		

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%(!).

## 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 9% annually, slightly below its financial target of 10%. 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 re-rating.

	2020	2021	2022	2023E
<b>INCOME STATEMENT</b>				
Revenues	1438	1619	2128	2505
Cost of Revenues	724	852	1052	1222
Gross Profit	713	767	1076	1283
Operating Expenses	549	549	722	809
<b>EBITDA</b>	164	218	355	474
Depreciation & Amortization	148	150	154	148
<b>EBIT</b>	16	68	201	326
Net Financial Items	-22	-19	-15	-22
EBT	-6	50	186	303
Income Tax Expenses	0	14	40	64
Non-Controlling Interest	4	4	5	5
<b>Net Income</b>	-6	36	146	239

**BALANCE SHEET****Assets**

Current assets				
Cash & Equivalents	121	147	160	153
Inventories	177	328	437	318
Accounts Receivable	251	297	396	446
Other Current Assets	46	62	83	75
<b>Total Current Assets</b>	595	834	1076	992

## Non-current assets

Property, Plant & Equipment, Net	96	85	80	109
Goodwill	766	734	785	785
Intangible Assets	267	325	347	384
Right-of-Use Assets	99	96	82	132
Shares in Associates	0	0	0	0
Other Long-Term Assets	61	65	62	49
<b>Total Non-Current Assets</b>	1289	1305	1357	1459

<b>Total Assets</b>	1884	2139	2433	2451
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**Liabilities**

Current liabilities				
Short-Term Debt	153	299	310	0
Short-Term Lease Liabilities	30	36	38	38
Accounts Payable	103	160	166	184
Other Current Liabilities	153	213	221	263
<b>Total Current Liabilities</b>	439	708	734	485

## Non-current liabilities

Long-Term Debt	410	384	388	388
Long-Term Lease Liabilities	69	59	60	109
Other Long-Term Liabilities	326	255	257	250
<b>Total Non-current Liabilities</b>	804	697	704	747

Non-Controlling Interest	4	4	5	5
Shareholder's Equity	637	729	989	1214
<b>Total Liabilities &amp; Equity</b>	1884	2139	2433	2451

**CASH FLOW**

NOPAT	16	49	158	258
Change in Working Capital	37	-89	-214	137
Operating Cash Flow	194	85	201	518
Capital Expenditures	-59	-66	0	-50
Investment in Intangible Assets	-23	-112	0	-138
Investing Cash Flow	-82	-178	-125	-175
Financing Cash Flow	-101	114	-79	-350
Free Cash Flow	112	-93	201	330

**DCF Valuation Metrics**

Initial Period (2023–2025)	722,20
Momentum Period (2026–2030)	1070,95
Stable Period (2031–)	2431,93
Firm Value	4225,08
Net Debt	734,00
Equity Value	3491,08
Fair Value per Share	120

**Sum FCF (SEKm)****SHARE INFORMATION**

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

**MANAGEMENT & BOARD**

CEO	Jenny Sjö Dahl
CFO	Joakim Laurén
Chairman	Bo Elisson

**ANALYSTS**

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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.

## Redeye Equity Research team

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## Disclaimer

### Important information

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 (2023-01-26)

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

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### CONFLICT OF INTERESTS

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.