



## ERIK PENSER BANK

Penser Access | Industrial Conglomerates | Sweden | 28 April 2021

# Beijer Alma

## Strong on many fronts

### Strong first quarter profitability

Revenues for Q1 amounted to SEK 1,282m (1,217), which was in line with our estimate of SEK 1,285m. Growth y/y was 5% (8% organic). Beijer Alma reports a very strong operating margin of 17% – especially since government support for the period was only SEK 2m. Profitability follows from a strong gross margin (33%) and a favourable product mix through a large share of revenues from Lesjöfors.

### Two acquisitions after the quarter strengthen our estimates

The company communicated two acquisitions after the end of the period, adding more than SEK 100m in revenue to our estimates. We think that the sector exposure in the acquisitions is an attractive aspect. We are increasing our revenue and profitability estimates for 2021–2023 based on strong profitability and added revenue from acquisitions (see more detailed description below).

### Continued acquisitions

In light of estimate increases and intensive acquisition activity during the beginning of 2021, we are upping our fair value. We value the company using a multiple approach and a DCF model. We are increasing our fair value to SEK 195–200 (SEK 175-180), corresponding to EV/EBIT just over 17x for 2022e.

Estimate Changes (SEK)			Estimates (SEK)					Risk and Potential		
	Now	Before		20	21e	22e	23e	Motivated value	195.00 - 200.00	
EPS, adj 21e	7.89	6.77	16.5%	Sales,m	4,250	4,547	4,841	5,135	Current price	SEK177.60
EPS, adj 22e	9.21	8.87	3.9%	Sales Growth	(8.0)%	7.0%	6.5%	6.1%	Risk level	Medium
EPS, adj 23e	11.22	11.05	1.5%	EBITDA, m	785	880	993	1,159	<b>One Year Performance Chart</b> 	
<b>Calendar Events</b>				EBIT, m	544.8	625.2	726.2	878.1		
				EPS, adj	6.59	7.89	9.21	11.22		
Q2-rapport	2021-08-20		EPS Growth	(7.8)%	19.7%	16.8%	21.8%			
Q3-rapport	2021-10-27		Equity/Share	0.0	0.0	0.1	0.1			
<b>Key Figures (mkr)</b>				Dividend	3.00	3.00	5.10	5.10		
				EBIT Marginal	12.8%	13.8%	15.0%	17.1%		
Number of Shares	60.3m		ROE (%)	15.8%	17.0%	18.0%	19.0%			
Market cap	10,709		ROCE	15.9%	16.8%	18.2%	19.6%			
Net Debt	710		EV/Sales	2.69x	2.51x	2.36x	2.22x			
EV	11,419		EV/EBITDA	14.6x	13.0x	11.5x	9.9x			
Free Float	75.00%		EV/EBIT	21.0x	18.3x	15.7x	13.0x			
Avg. No. of Daily Traded Sh.	29.0(k)		P/E, adj	27.0x	22.5x	19.3x	15.8x			
Reuters/Bloomberg	BEIAB.ST/BEIJAB SS		P/Equity	4,276.2x	3,821.4x	3,476.6x	3,014.8x			
<b>Analysts</b>				Dividend yield	1.8%	1.8%	3.1%	3.1%	hjalmar.jernstrom@penser.se	
				FCF yield	6.0%	5.0%	6.3%	7.1%		
				Net Debt/EBITDA	0.4g	(0.0)g	(0.3)g	(0.6)g		



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## Overview

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#### Investment Case

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We envisage improved profitability and strengthened margins as a result of cost-cutting and a favourable product mix. Acquisitions form a central part of the operational strategy and will contribute to Beijer Alma's goal of profitable growth. The acquisitions take place mainly within Beijer Tech and Lesjöfors, while growth within Habia Cable is primarily organic. With strong cash reserves, we believe the company remains well positioned for future acquisitions.

#### Company Profile

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**A decentralised group of companies.** Beijer Alma is a group of companies with operations in component manufacturing and industrial trading. Its strategy is based on acquiring, owning and developing companies with good growth prospects. Lesjöfors, Habia Cable and Beijer Tech are subsidiaries of Beijer Alma.

#### Valuation approach

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Beijer Alma's sector exposure and focus on acquisitions means that we value it against both large Swedish engineering companies and acquisition-driven companies. According to our estimates, Beijer Alma is valued at EV/EBIT 16x for 2022e, which is a discount compared to the EV/EBIT 20x 2022e for engineering companies. A discount is justified based on Beijer Alma's exposure to the offshore industry and thus the price of oil. If we instead value Beijer Alma compared to other acquisition-driven companies, these are on average valued at EV/EBIT 25x for 2022e. Even when compared with this group of companies, Beijer Alma's sector exposure justifies a certain discount.

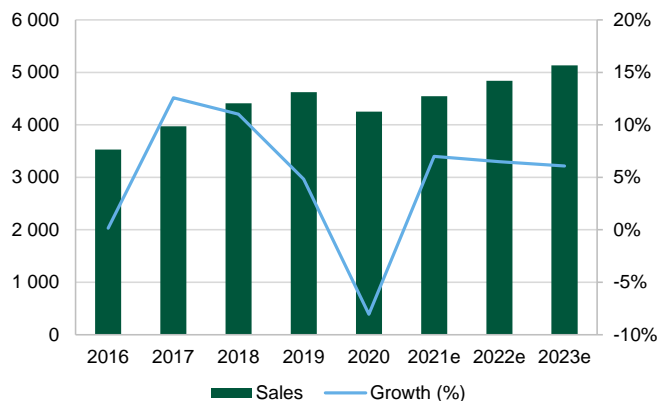
In addition to the multiple valuation, we apply a DCF model. This model is based on a detailed forecast window until 2030e. After this period, we then assume a growth rate of 2%. The model applies a WACC of 8.5 %. The DCF model indicates a fair value of SEK 195–200. We believe that a realistic multiple is 17x EBIT 2022e, which is higher than previous levels of 16x and is justified by an increasing acquisition rate and indications of accelerating organic growth. 17x EBIT for 2022e corresponds to SEK 193–195 per share. Overall, we envisage a fair value of SEK 195–200 per share and medium risk.

#### Target Price

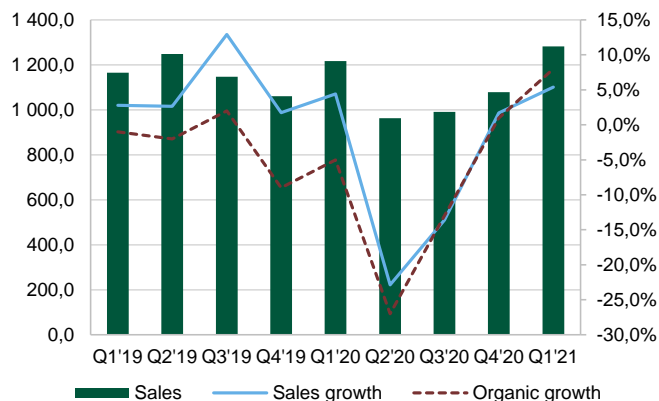
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195 - 200 kr

### Revenue and growth (mkr)



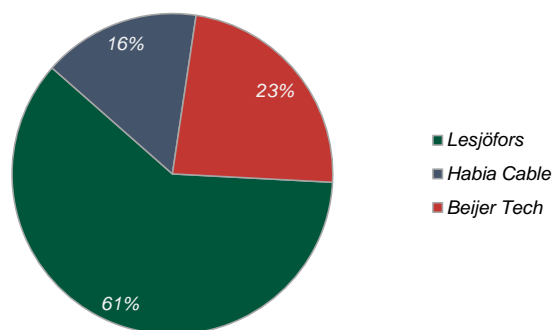
### Revenue and growth (mkr)



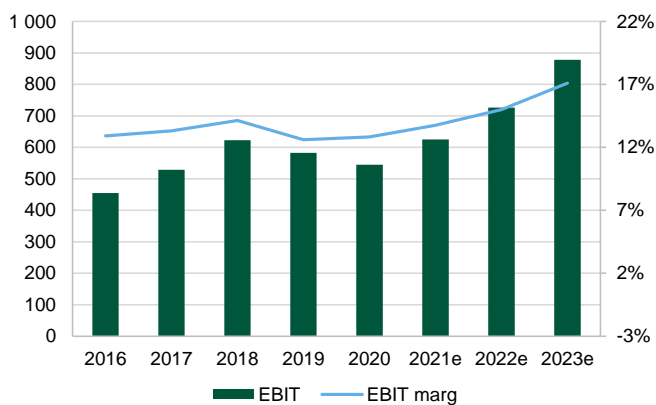
### Shareholder data (per 2021-01-31)

Shareholder	Votes	Shares
Anders Wall Stiftelser	18,6%	13,7%
Anders Wall	34,8%	11,6%
ODIN Fonder	4,7%	9,3%
Lannebo Fonder	3,6%	7,1%
Other	38%	38%
Chairman		Johan Wall
CEO		Henrik Perbeck
CFO		Erika Ståhl
Investor contact		Henrik Perbeck
Website		<a href="https://beijeralma.se/">https://beijeralma.se/</a>

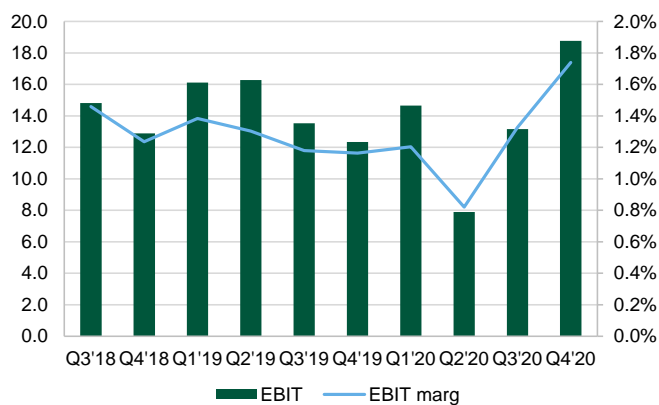
### Revenue (%)



### EBIT and EBIT margin (mkr)



### EBIT and EBIT margin (mkr)



## The quarter in detail

Beijer Alma reported a second consecutive quarter of organic growth. This is a sequence it has not experienced since 2018, and Lesjöfors was particularly robust with 14% organic growth. Lesjöfors' growth is driven by the fact that chassis springs normally have a seasonally strong first quarter, while a cold winter leads to stock build-up at wholesalers, which strengthened revenues during the quarter. Lesjöfors reported a strong order intake of SEK 818 million, with organic growth of 29%.

Habia Cable reported organic y/y growth of -11% for the quarter. Industrial customers are a strong contributor to growth q/q, but offshore remains a burden. One factor to note for Habia Cable is its exposure to the defence industry since military investments have experienced very limited impact from the pandemic and, if anything, grew in 2020. This could benefit the segment's exposure to defence.

Profitability is strong given that government support was very limited during the period. 17% should be seen as very strong profitability, and comes partly from a revenue mix that had an emphasis on Lesjöfors with an operating margin within Lesjöfors that was strong, at 22% (17%). The gross margin at consolidated level was 33% (29%).

### Beijer Alma reported two acquisitions after the end of the period

Beijer Alma used its acquisition capacity for two companies with attractive sector exposure. In total, the acquisitions add more than SEK 120 million in revenue, and we assess that the acquired companies are growing more vigorously than Beijer Alma and operate with higher margins, which strengthens the margins for Beijer Tech. We see continued acquisitions as an important value creator and believe there is potential for continued acquisitions in 2021.

**Noxon.** Noxon provides products and services in the separation of liquid from various types of particles, such as at treatment plants. Its customers are largely municipal, and in addition to treatment plants, it has exposure to areas such as recycling and the paper industry. Noxon has sales of approximately SEK 70 million and, according to Beijer Alma, has good profitability. In terms of market, it focuses on Sweden, Finland, Norway and Poland.

**Novosystems.** Novosystems is active in property automation, including automated methods for managing energy, heating and lighting. Novosystems is therefore active in the same sector as the INU group, which Beijer Alma acquired during Q3 2020 and which has sales of SEK 110 million. Synergies between Novosystems and the INU group should include geographical range and market knowledge. The market for smart buildings and property automation is expected to grow by 19% per year until 2026, according to external assessors.

### Estimate changes

We estimate that the acquired companies will contribute just over SEK 100 million. We are increasing our estimates for revenues in 2021 to SEK 4,547 million (4,439). For 2022e and 2023e, respectively, we are upping our estimates to SEK 4,841 million (4,749) and 5,135 million (5,034). We are adjusting EBIT for 2021e to SEK 625 million (548) against the background of acquisitions, stronger operating profit than expected in Q1, and a margin increase for the remainder of 2021, primarily within Lesjöfors. For 2022e and 2023e, respectively, we are adjusting EBIT to SEK 726 million (709) and 878 million (875).

Income statement									
	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Revenues	3 522	3 528	3 971	4 408	4 622	4 250	4 547	4 841	5 135
Other income	0	0	0	0	0	0	0	0	0
Cost of goods sold	-2 257	-2 262	-2 706	-3 032	-3 242	-2 959	-3 150	-3 292	-3 441
<b>Gross profit</b>	<b>1 266</b>	<b>1 266</b>	<b>1 265</b>	<b>1 376</b>	<b>1 379</b>	<b>1 291</b>	<b>1 397</b>	<b>1 549</b>	<b>1 695</b>
Selling expenses	-366	-369	-376	-409	-422	-383	-393	-436	-436
Admin expenses	-313	-324	-348	-346	-375	-382	-378	-387	-380
R&D	0	0	0	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>585</b>	<b>573</b>	<b>659</b>	<b>761</b>	<b>813</b>	<b>785</b>	<b>880</b>	<b>993</b>	<b>1 159</b>
Depreciation	-111	-117	-131	-139	-231	-240	-254	-267	-280
Amortisation of goodwill	0	0	0	0	0	0	0	0	0
<b>EBIT</b>	<b>475</b>	<b>455</b>	<b>528</b>	<b>623</b>	<b>583</b>	<b>545</b>	<b>625</b>	<b>726</b>	<b>878</b>
<b>Pre-tax profit</b>	<b>467</b>	<b>447</b>	<b>517</b>	<b>609</b>	<b>557</b>	<b>515</b>	<b>598</b>	<b>698</b>	<b>850</b>
Tax	-113	-119	-129	-140	-127	-78	-112	-121	0
Minority interest	0	0	0	0	0	0	0	0	0
<b>Net result</b>	<b>354</b>	<b>328</b>	<b>388</b>	<b>469</b>	<b>431</b>	<b>437</b>	<b>486</b>	<b>578</b>	<b>850</b>
<b>Net result adjusted</b>	<b>354</b>	<b>328</b>	<b>388</b>	<b>469</b>	<b>431</b>	<b>437</b>	<b>486</b>	<b>578</b>	<b>850</b>

Cash Flow Statement									
	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net result reported	354	328	388	469	431	437	486	578	850
Other operating cash items	102	109	132	139	239	284	244	245	106
Change in Working capital	-93	29	-132	-155	-81	0	-5	45	0
<b>Operating cash flow</b>	<b>363</b>	<b>465</b>	<b>388</b>	<b>452</b>	<b>589</b>	<b>721</b>	<b>725</b>	<b>868</b>	<b>956</b>
CAPEX	-112	-291	-118	-228	-300	-125	-227	-242	-257
<b>Free cash flow</b>	<b>252</b>	<b>174</b>	<b>270</b>	<b>224</b>	<b>289</b>	<b>596</b>	<b>497</b>	<b>626</b>	<b>700</b>
Dividends	-286	-286	-286	-286	-307	-197	-181	-307	-307
Equity Issue / share buybacks	0	0	0	0	0	0	0	0	0
Acquisitions / Disposals	0	-78	-84	-4	-356	-219	-120	0	0
Other adjustments	95	134	-60	0	66	0	0	0	0
<b>Total cash flow</b>	<b>61</b>	<b>-57</b>	<b>-160</b>	<b>-66</b>	<b>-309</b>	<b>175</b>	<b>196</b>	<b>319</b>	<b>393</b>
Other non-cash adjustments	0	0	0	0	0	0	0	0	0
<b>Cash &amp; CE</b>	<b>252</b>	<b>274</b>	<b>328</b>	<b>291</b>	<b>465</b>	<b>616</b>	<b>812</b>	<b>1 131</b>	<b>1 524</b>

Balance sheet									
	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
<b>ASSETS</b>									
Goodwill	532	541	578	594	763	960	960	960	960
Other intangible assets	245	9	29	34	35	27	27	27	27
Tangible assets	509	905	892	988	1196	1362	1455	1430	1406
Other fixed assets	29	49	52	61	268	40	40	40	40
<b>Total fixed assets</b>	<b>1314</b>	<b>1505</b>	<b>1552</b>	<b>1677</b>	<b>2262</b>	<b>2389</b>	<b>2482</b>	<b>2457</b>	<b>2433</b>
Inventories	673	718	825	952	1051	945	955	968	1027
Customer receivables	630	655	731	809	777	735	682	726	770
Other current assets	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	252	274	328	291	465	616	812	1131	1524
<b>Total current assets</b>	<b>1556</b>	<b>1646</b>	<b>1884</b>	<b>2052</b>	<b>2293</b>	<b>2296</b>	<b>2449</b>	<b>2826</b>	<b>3321</b>
<b>TOTAL ASSETS</b>	<b>2870</b>	<b>3151</b>	<b>3435</b>	<b>3729</b>	<b>4555</b>	<b>4685</b>	<b>4931</b>	<b>5282</b>	<b>5754</b>
<b>EQUITY AND LIABILITIES</b>									
Shareholder equity	1835	1902	1991	2232	2413	2500	2798	3076	3548
Minority interests	4	4	4	4	4	4	4	4	0
<b>Total Equity</b>	<b>1839</b>	<b>1905</b>	<b>1995</b>	<b>2236</b>	<b>2417</b>	<b>2504</b>	<b>2802</b>	<b>3080</b>	<b>3552</b>
Interest-bearing debt	446	587	737	731	1186	918	918	918	918
Non interest-bearing debt	585	659	704	762	952	1262	1210	1284	1284
<b>Total liabilities</b>	<b>1031</b>	<b>1246</b>	<b>1440</b>	<b>1493</b>	<b>2138</b>	<b>2180</b>	<b>2129</b>	<b>2202</b>	<b>2202</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2870</b>	<b>3151</b>	<b>3435</b>	<b>3729</b>	<b>4555</b>	<b>4685</b>	<b>4931</b>	<b>5282</b>	<b>5754</b>

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Erik Penser Bank (*publ.*)

Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 [www.penser.se](http://www.penser.se)