



ERIK PENSER BANK

Penser Access | Industrial Conglomerates | Sweden | 26 August 2022

Beijer Alma

2022 defined by divestments and acquisitions

Growth but reduced operating margin

Beijer Alma grew 29% y/y in Q2 (3% organic) with revenues of SEK 1,461m. Adjusting for Habia, which has been sold and was reported as discontinuing operations for the quarter, our estimate was SEK 1,403m. The operating margin was 13% (17.3%) in Q2, driven by factors including lower profitability in Lesjöfors, where the operating margin was 15% (23%).

Divestments setting new conditions

After the end of Q2, Beijer Alma announced the sale of Habia Cable to the German HEW-KABEL at a valuation of SEK 910m. In late Q2, Beijer Alma also announced that it is acquiring the American company John Evans' Sons with anticipated revenues of USD 37m and EBITA of USD 10m in 2022.

Adjustments

We are adjusting our estimates for 2022-2024 to reflect the sale of Habia Cable and the acquisition of John Evans' Sons. We retain our target multiple of 16x EBIT for 2023e. The valuation is supported by a DCF. We see a new fair value of SEK 220-225 per share (260-265).

Estimate Changes (kr)				Estimates (kr)					Risk and Potential	
	Now	Before		21	22e	23e	24e	Motivated value	220.0 - 225.0	
EPS, adjusted 22e	10.7	10.7	0.0%	Sales, mkr	5,389	5,954	6,100	6,491	Current price	SEK177.0
EPS, adjusted 23e	12.5	12.5	0.0%	Growth	27%	10%	2%	6%	Risk level	Medium
EPS, adjusted 24e	13.9	13.9	0.0%	EBITDA, mkr	1,021	1,119	1,167	1,317	<div data-bbox="1082 1518 1477 1957" data-label="Figure"> <p>One Year Performance Chart</p> <p>The chart displays the stock price performance of BEIA B (green line) and OMX (grey line) from September to August. The y-axis represents price in SEK, ranging from 140 to 300. BEIA B shows significant volatility, peaking at approximately 280 SEK in January and ending at 177.0 SEK in August. OMX remains relatively stable, fluctuating between 180 and 200 SEK.</p> </div>	
				EBIT, mkr	775	844	886	1,037		
				EPS, adjusted	9.4	10.7	12.5	13.9		
				EPS growth	39%	14%	16%	12%		
				Equity/share	47.3	37.0	46.6	57.3		
				Dividend/share	3.5	3.5	3.5	3.5		
				EBIT margin	14.4%	14.2%	14.5%	16.0%		
				ROE	20.1%	29.0%	26.7%	24.3%		
				ROCE	9.0%	10.2%	10.8%	10.9%		
				EV/Sales	2.3x	2.1x	2.0x	1.9x		
				EV/EBITDA	12.1x	11.0x	10.6x	9.4x		
				EV/EBIT	15.9x	14.6x	13.9x	11.9x		
				P/E, adjusted	18.8x	16.5x	14.2x	12.7x		
				P/Equity	3.7x	4.8x	3.8x	3.1x		
				Dividend yield	2.0%	2.0%	2.0%	2.0%		
				FCF yield	14.6%	8.3%	11.9%	12.3%		
				Net debt/EBITDA	1.3g	1.6g	1.2g	0.6g		

Calendar Events	
Q3'22	2022-10-27
Q4'22	2023-02-15

Key Figures (mkr)	
Number of shares	60m
Market cap	10,673
Net debt	1,677
EV	12,350
Free float	73%
Average number of daily traded shares	29(k)
Reuters/Bloomberg	BEIAb.ST/BEIAB:SS

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Overview

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Investment Case

Beijer Alma's subsidiaries have a broad product range, attractive financial profiles and good prospects for long-term profitable growth. Acquisitions form a key part of the company's operational strategy, and we believe that this acquisition strategy is well implemented.

Company Profile

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 and Beijer Tech are subsidiaries of Beijer Alma.

Valuation approach

Based on Beijer Alma's sector exposure and focus on acquisitions, we value the company against both large Swedish engineering companies and other acquisition-driven companies. In our estimate, Beijer Alma is valued at 13x EV/EBIT for 2023e, which is a discount against the average multiple for the engineering companies. Although other acquisition-driven companies have seen a multiple contraction in 2022, they are still valued at a high premium against Beijer Alma.

We see a reasonable multiple of 16x EBIT 2023e, justified by an accelerating acquisition rate and indications that organic growth is picking up. In our assessment, Beijer Alma's accelerating acquisition rate is not fully reflected in the valuation and additional acquisitions are expected. 16X EBIT for 2023e corresponds to SEK 232 per share. Overall, we see a fair value of SEK 220-225 per share (260-265) and medium risk. The valuation is supported by a DCF model.

The quarter in detail

Beijer Alma reported net revenue of SEK 1,461 million (SEK 1,135m for comparable entities), corresponding to growth of 29%, thereof 3% organic. Lesjöfors grew 28% y/y, including -1% organic growth. Beijer Tech grew 28% in Q2, where organic growth accounted for 14%. The operating margin was 15% (23%) in Lesjöfors, which was related to reduced sales in Russia. Beijer Tech reported an operating margin of 9.4% (6.8%).

Acquisitions and divestments

Beijer Alma announced after the end of Q2 that it had closed an agreement to sell its subsidiary Habia Cable to German HEW-KABEL Holding GmbH. In February of this year, Beijer Alma had announced that it was reviewing the ownership of Habia and it was thus public knowledge that Beijer Alma was seeking a buyer of the subsidiary. The valuation of SEK 910 million is equal to 1.1x Habia Cable's revenues in 2021 and 14x EBIT. Habia Cable accounted for 15% of Beijer Alma's sales in 2021.

We are in favour of the divestment, for three main reasons. First, it reduces the cyclicity in Beijer Alma because Habia Cable has historically had volatile revenues relative to other subsidiaries. Secondly, the divestment will strengthen the consolidated operating margin, all other things being equal. Thirdly, we consider the valuation attractive. In our analysis in April, we valued Habia Cable at around SEK 1,000 million. The price tag is thus within ~10% of our valuation and essentially in line with our expectations and peer valuations.

Acquisition of John Evans' Sons

Lesjöfors announced in Q2 that it had acquired John Evans' Sons in the US, a spring manufacturer with a leading position in the American market. John Evans' Sons is expected to generate revenue of about USD 37 million and EBITA of USD 10 million in 2022, but there is an earnout (conditional consideration) of USD 62 million that could fall due.

Estimate changes

Our estimate changes following the Q2 report are summarised below. The estimate adjustments are characterised by several factors. First, the divestment of Habia Cable, which contributed about SEK 971 million for 2022e in our previous estimate. Secondly, we add the acquisition of John Evans' Sons, with revenue of about USD 37 million. Finally, we have adjusted our margin assumptions somewhat for Lesjöfors for upcoming quarters.

New estimates	2022e	2023e	2024e
Revenue	5 954	6 100	6 491
Growth	10%	2%	6%
EBIT	844	886	1 037
Operating margin	14%	15%	16%
EPS	10,74	12,46	13,94

Previous estimates	2022e	2023e	2024e
Revenue	6 487	7 062	7 488
Growth	20%	9%	6%
EBIT	995	1 147	1 272
Operating margin	15%	16%	17%
EPS	12,18	14,49	16,15

Change, %	2022e	2023e	2024e
Revenue	-8%	-14%	-13%
EBIT	-15%	-23%	-18%
EPS	-12%	-14%	-14%

Source: EPB

Valuation

Our multiple valuation is summarised below. Valuations are down for other acquiring companies in our sample, but they are still valued on average at 22x EV/EBIT for 2023e (consensus). Our sample of industrial companies is also valued at 18x for 2023e. We retain our target multiple of 16x for 2023e. Our valuation models are summarised below.

Target multiple (EBIT x, 23e)	16
Target EV	15 636
Less net debt	1 665
Target BV	13 971
Price per share	232

Below is a summary of our DCF model. Key assumptions include a long-term EBIT margin of 16% and growth of 2.5% beyond the forecast period. We apply a WACC of 8.9% based on risk-free interest of 2.4%, a risk premium of 5.5% and an additional risk premium of 1%. Beijer Alma is widely diversified among industries, which mitigates sector dependency. In addition, the company has a long history of strong margins and close customer relationships, with a large share of products manufactured to order. Our overall assessment is that 1% is a reasonable additional risk premium. We thus also apply a WACC of 8.9% (8%).

Valuation output		WACC assumptions	
Sum of PV of FCF (explicit period)	7 277	Risk free nominal rate	2,5%
PV of terminal value (perpetuity formula)	7 697	Risk premium	5,5%
Enterprise value	14 973	Extra risk premium	1,0%
Latest net debt	1 691	Beta	1,1
Minority interests & other	0	Cost of equity	9,7%
Equity value	13 282	Cost of debt (pre-tax)	3,0%
No. of shares outstanding (millions)	60	Tax rate	21%
Equity value per share (SEK)	220	Target debt/(debt + equity)	10%
<i>Källa: EPB</i>		WACC	8,9%
		Terminal value assumptions	
		Long term growth rate	2,5%
		Long term EBIT margin	16,0%
		Depreciation (% of sales)	2,0%
		Capex (% of sales)	2,0%
		Working cap. (% of sales)	20,0%
		Tax rate	21%

A summary is provided below of the sensitivity of our fair value to assumptions related to WACC, long-term growth and long-term EBIT margin.

Sensitivity analysis

		Long-term growth rate				
		1,5%	2,0%	2,5%	3,0%	3,5%
WACC	7,9%	238	252	267	286	309
	8,4%	219	230	242	257	275
	8,9%	202	211	221	233	248
	9,4%	187	195	203	213	225
	9,9%	174	181	188	196	206

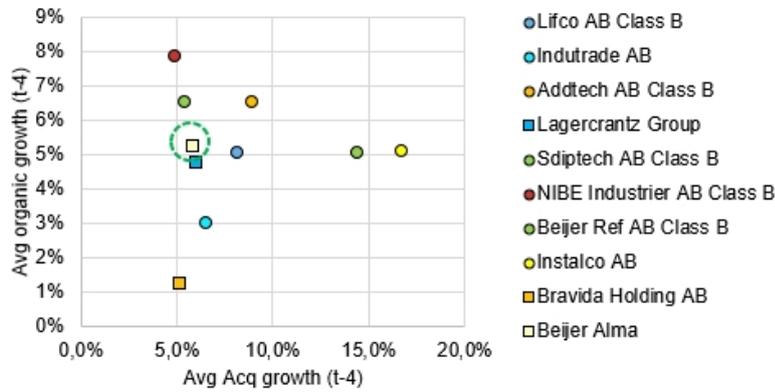
		Long-term EBIT margin				
		11,0%	13,5%	16,0%	18,5%	21,0%
WACC	7,9%	197	232	267	302	337
	8,4%	180	211	242	273	304
	8,9%	166	194	221	249	277
	9,4%	153	178	203	228	253
	9,9%	143	165	188	210	233

Källa: EPB

All things considered, we see a fair value of SEK 220-225 per share (260-265).

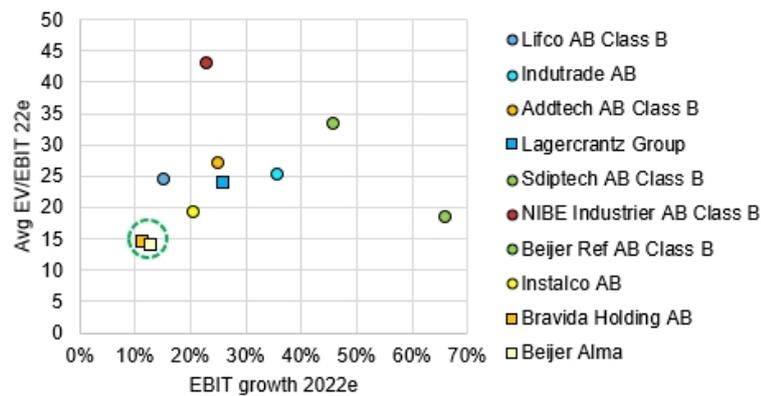
Acquired and organic growth for Beijer Alma compared to other acquisition-driven companies are summarised below.

Förvärv och organisk tillväxt (förvärvande bolag) 2018-2021



Valuation and EBIT growth for Beijer Alma compared to other acquisition-driven companies are summarised below.

Värdering och EBIT-tillväxt

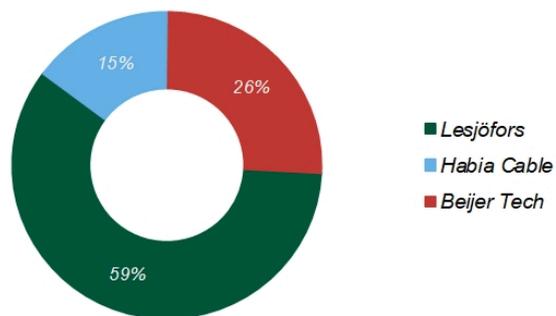


Shareholder data

Shareholder	Votes	Shares
Anders Wall Stiftelser	6,9%	13,7%
Anders Wall	46,6%	11,6%
Lannebo Fonder	3,6%	7,1%
Handelsbanken	2,9%	5,6%
Other	40%	62%
Chairman		Johan Wall
CEO		Henrik Perbeck
CFO		Johan Dufvenmark
Investor contact		Henrik Perbeck
Website		https://beijeralma.se/

Source: Beijer Alma

Revenue split 2021 (%)



Source: Financial reports

Income statement									
	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Revenue	3 528	3 971	4 408	4 622	4 250	5 389	5 954	6 100	6 491
Cost of goods sold	-2 262	-2 706	-3 032	-3 242	-2 959	-3 644	-4 049	-4 133	-4 349
Gross profit	1 266	1 265	1 376	1 379	1 291	1 745	1 905	1 967	2 142
Selling expenses	-369	-376	-409	-422	-383	-468	-527	-518	-552
Admin expenses	-324	-348	-346	-375	-382	-468	-498	-471	-500
Other revenue	0	0	0	0	0	0	0	0	0
Other expenses	0	0	0	0	0	16	-25	0	0
EBITDA	573	659	761	813	785	1 021	1 119	1 167	1 317
Depreciation and amortization	-117	-131	-139	-231	-240	-247	-275	-280	-280
EBIT	455	528	623	583	545	775	844	886	1 037
Financial income	1	2	2	1	1	2	2	1	1
Financial expenses	-9	-12	-16	-26	-30	-33	-37	-34	-34
Profit before taxes	447	517	609	557	515	743	820	944	1 057
Tax	-119	-129	-140	-127	-118	-170	-173	-194	-217
Minority interest	0	0	0	0	0	0	0	0	0
Net result	328	388	469	431	397	574	647	751	840
Net result (adjusted)	328	388	469	431	397	574	647	751	840

Source: EPB

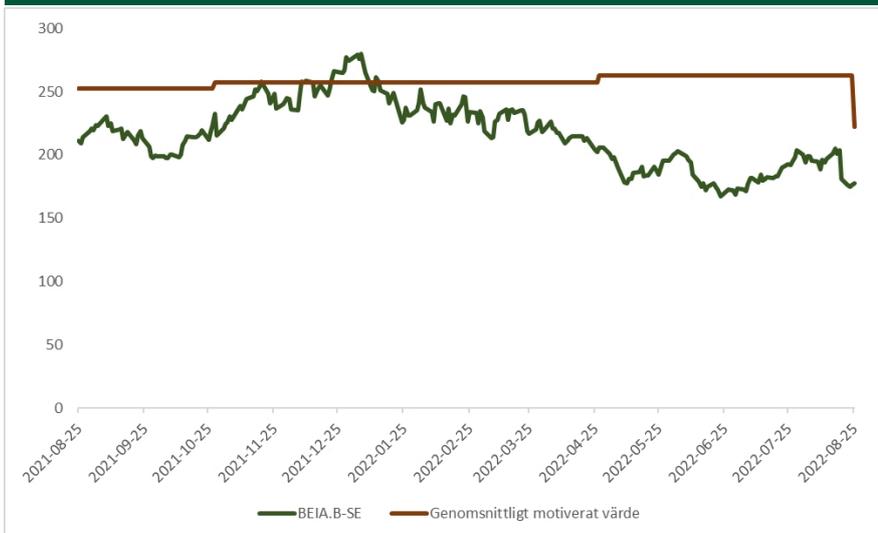
Balance sheet									
	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Goodwill	541	578	594	763	960	1 418	1 418	1 418	1 418
Other intangible assets	9	29	34	35	27	436	436	436	436
Tangible assets	905	892	988	1 196	1 362	1 549	1 571	1 596	1 640
Other fixed assets	49	52	61	268	40	35	93	93	93
Total fixed assets	1 505	1 552	1 677	2 262	2 389	3 437	3 518	3 542	3 587
Inventories	718	825	952	1 051	945	1 361	1 310	1 220	1 298
Receivables	655	731	809	777	735	1 066	893	915	974
Other current assets	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	274	328	291	465	616	481	644	1 261	1 828
Total current assets	1 646	1 884	2 052	2 293	2 296	2 907	2 847	3 396	4 099
TOTAL ASSETS	3 151	3 435	3 729	4 555	4 685	6 344	6 365	6 939	7 686
EQUITY AND LIABILITIES	0								
Equity	1 902	1 991	2 232	2 413	2 500	2 850	2 229	2 803	3 453
Minority interest	4	4	4	4	4	4	4	4	4
Total equity	1 905	1 995	2 236	2 417	2 504	2 854	2 233	2 807	3 457
Long-term interest bearing liabilities	243	145	190	532	614	999	999	999	999
Other non-current liabilities	66	75	81	254	304	1 607	1 607	1 607	1 607
Total non-current liabilities	309	220	270	786	919	2 607	2 607	2 607	2 607
Accounts payable	237	253	251	224	204	426	298	305	325
Other short-term liabilities	700	968	971	1 128	1 058	457	1 227	1 220	1 298
Total current liabilities	937	1 221	1 222	1 352	1 262	884	1 525	1 525	1 623
Total liabilities	1 246	1 440	1 493	2 138	2 180	3 490	4 131	4 131	4 229
TOTAL EQUITY AND LIABILITIES	3 151	3 435	3 729	4 555	4 685	6 344	6 365	6 939	7 686

Source: EPB

Cash flow statement									
	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Net result	328	388	469	431	397	574	647	751	840
Other non-cash items	109	132	138	239	237	269	275	280	280
Changes in working capital	29	-132	-155	-81	87	-114	-250	119	0
Cash flow from operations	465	388	452	589	721	729	672	1 150	1 121
Capex	-291	-118	-228	-300	-125	-169	-298	-305	-325
Free cash flow	174	270	224	289	596	560	375	845	796
Dividends	-286	-286	-286	-307	-151	-181	-211	-211	-211
Share issue / buy backs	0	0	0	0	0	0	0	0	0
Acquisitions / disposals	-78	-84	-4	-356	-219	-1 046	0	0	0
Cash flow from financing	134	-60	0	66	-52	516	0	-17	-19
Cash flow	-57	-160	-66	-309	175	-151	0	0	566
Other non-cash adjustments	0	0	0	0	0	0	0	0	0
Cash & CE	274	328	291	465	616	481	644	1 261	1 828

Source: EPB

Senast betalt samt motiverat värde (SEK)



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