



ERIK PENSER BANK

Penser Access | Industrial Conglomerates | Sweden | 24 August 2020

Beijer Alma

Surprising resilience in Q2 earnings

Surprising resilience

Revenues in Q2 20 of SEK 963m corresponded to a decrease of 23%, which was weaker than the decline of 14% we had expected. After government support of SEK 37m and restructuring costs of SEK 22m, EBIT amounted to SEK 79m, which was significantly stronger than we had expected. An EBIT margin of 8.2% (4.4% excluding cash support) must be seen surprisingly resilient given a loss of revenue of such high double-digit figures.

Brightening towards summer

All three arms of the business reported production stoppages and cutbacks by customers, especially in the automotive and oil industries, although the decline in Habia is more attributable to offshore than Covid-19. Within Lesjöfors, there was a greater and earlier impact on Chassis Springs, but also a faster recovery than in Industry. Overall, Beijer Alma saw some recovery in June and we expect a normalization, in H2 20.

Recovery and multiple expansion

The company is well capitalised and, after the acquisition of INU Group (sales SEK 110m) in July, we continue to count on acquisitions as an important driving force for growth. The share has recovered strongly but is lagging behind the engineering index. With a recovery in H2 20, stable profit growth in 21e (+29%) and multiple expansion for the comparison group, we now see a fair value of SEK 145 (120).

Estimate Changes (SEK)				Estimates (SEK)				Risk and Potential		
	Now	Before		19e	20e	21e	22e	Motivated value	145.00 - 150.00	
EPS, adj 20e	4.77	4.35	9.7%	Sales,m	4,622	4,296	4,487	4,646	Current price	121.40
EPS, adj 21e	6.16	6.23	-1.2%	Sales Growth	4.8%	(7.0)%	4.4%	3.6%	Risk level	Medium
EPS, adj 22e	6.64	6.71	-1.1%	EBITDA, m	813	640	760	811	Return Potential	Medium
				EBIT, m	582.6	397.4	506.0	543.5		
				EPS, adj	7.15	4.77	6.16	6.64		
				EPS Growth	(8.1)%	(33.3)%	29.1%	7.8%		
				Equity/Share	40.0	42.3	43.3	44.4		
				Dividend	2.50	5.10	5.50	5.50		
				EBIT Marginal	12.6%	9.3%	11.3%	11.7%		
				ROE (%)	18.6%	11.6%	14.4%	15.1%		
				ROCE	17.8%	10.8%	13.4%	14.2%		
				EV/Sales	1.78x	1.92x	1.83x	1.77x		
				EV/EBITDA	10.1x	12.9x	10.8x	10.1x		
				EV/EBIT	14.1x	20.7x	16.3x	15.1x		
				P/E, adj	17.0x	25.5x	19.7x	18.3x		
				P/Equity	3.0x	2.9x	2.8x	2.7x		
				Dividend yield	1.6%	4.2%	4.5%	4.5%		
				FCF yield	3.1%	5.4%	6.1%	6.7%		
				Net Debt/EBITDA	0.9g	0.7g	0.4g	0.2g		

Calendar Events						One Year Performance Chart	
Q3 report	28 Oct 2020						
Q4 report	15 Feb 2021						

Key Figures (mkr)					
Number of Shares	60.3m				
Market cap	7,316				
Net Debt	911				
EV	8,227				
Free Float	75.00%				
Avg. No. of Daily Traded Sh.	37.0(k)				
Reuters/Bloomberg	BEIAB.ST/BEIJAB SS				

Analysts	
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	Analysavdelningen



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Overview

Surprising resilience in Q2 earnings

Investment Case

Despite a steep drop in sales in the spring, the company reported an EBIT margin in Q2 2020 of 8.2% (4.4% excluding cash support), which must be seen as surprisingly resilient given such a dramatic fall in revenues. The company is well capitalised and, after the acquisition of INU Group (sales SEK 110m) in July, we continue to count on acquisitions as an important driving force for growth. The share has recovered strongly but is lagging behind the engineering index by about 23 ppt this year. With a recovery in H2 2020, stable profit growth in 2021e (+29%) and multiple expansion for the comparison group, we now see a fair value of SEK 145 (120).

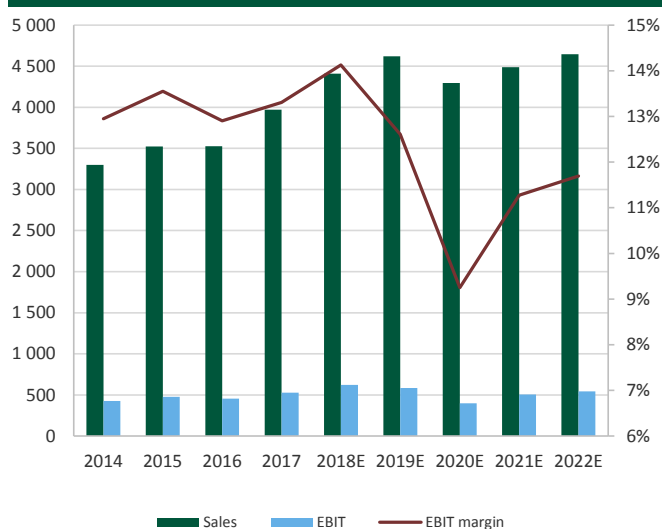
Valuation approach

Although the Beijer Alma share has seen multiple expansion in recent years, just like the rest of the engineering sector, it has not kept pace with the industry's gains and has fallen further during the worries that followed the outbreak of Covid-19. With target multiples based on the engineering sector's valuation, we see a fair value for the share of SEK 145. Even though accelerating worries for the industrial economy could limit the potential of this stock in the short term, we believe that it is the company's ability to grow, both organically and through successful acquisitions, that will be decisive. For the longer term, we believe the potential of further acquisitions, continued growth for the company as a whole, and the CEO's earlier purchase of shares at SEK 145 and at SEK 134.38 justify an expectation of medium potential for the share at medium risk.

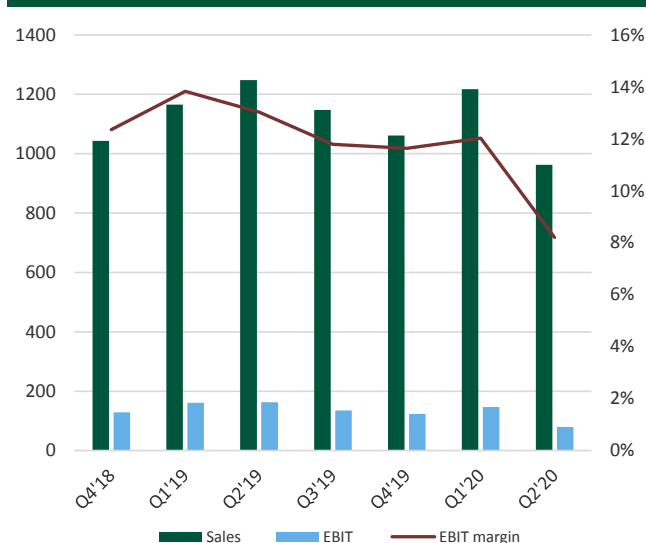
Revenue, EBIT and EBIT-margin per segment

	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Revenues								
Lesjöfors	1 997	2 009	2 351	2 625	2 564	2 358	2 476	2 575
Habia Cable	765	787	809	870	978	873	904	931
Beijer Tech	760	731	812	913	1 080	1 065	1 107	1 140
Group	3 522	3 528	3 971	4 408	4 622	4 296	4 487	4 646
EBIT								
Lesjöfors	388	380	477	531	441	328	405	434
Habia Cable	100	97	42	57	80	45	59	65
Beijer Tech	22	8	47	61	81	50	66	68
Group	475	455	528	623	583	397	506	543
EBIT-margin								
Lesjöfors	19,4%	18,9%	20,3%	20,2%	17,2%	13,9%	16,3%	16,8%
Habia Cable	13,0%	12,3%	5,2%	6,6%	8,2%	5,2%	6,5%	7,0%
Beijer Tech	2,9%	1,1%	5,8%	6,6%	7,5%	4,7%	6,0%	6,0%
Group	13,5%	12,9%	13,3%	14,1%	12,6%	9,3%	11,3%	11,7%

Sales, EBIT & EBIT-margin, annual



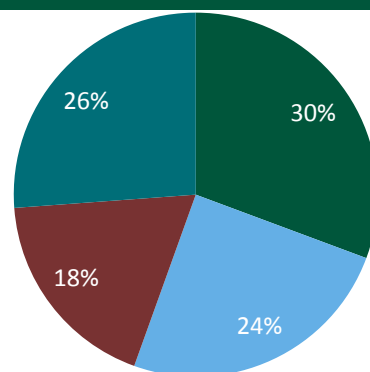
Sales, EBIT & EBIT-margin, quarter



Shareholder data

Major shareholders	Votes	Shares
Anders Wall Stiftelser	18,4%	13,5%
Anders Wall	34,8%	11,7%
Didner & Gerge Fonder AB	4,1%	8,2%
Odin Fonder	3,9%	7,7%
Others	42,7%	66,5%
Chairman	Johan Wall	
CEO	Henrik Perbeck	
CFO	Erika Ståhl	
IR	Henrik Perbeck	
Phone / Internet	+46 18157160 / beijeralma.se	

Revenue per market



■ Europé ■ Nordics ■ Asia ■ North America

Income statement, Cash flow and Balance sheet

Income statement

	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Revenues	3 522	3 528	3 971	4 408	4 622	4 296	4 487	4 646
Other income	0	0	0	0	0	0	0	0
Cost of goods sold	-2 257	-2 257	-2 706	-3 032	-3 242	-2 754	-2 784	-2 860
Gross profit	1 265	1 265	1 265	1 376	1 379	1 542	1 703	1 786
Selling expenses	-366	-369	-376	-463	-422	-451	-471	-488
Admin expenses	-313	-324	-348	-463	-375	-451	-471	-488
R&D	0	0	0	0	0	0	0	0
Other expenses	0	0	118	311	231	0	0	0
EBITDA	585	573	659	761	813	640	760	811
Depreciation	-111	-117	-131	-139	-231	-242	-254	-267
mortisation of goodwill	0	0	0	0	0	0	0	0
EBIT	475	455	528	623	583	397	506	543
Associate income	3	0	2	0	0	2	2	2
Financial income	1	1	0	2	1	0	0	0
Financial expenses	-11	-9	-13	-16	-26	-26	-26	-26
Pre-tax profit	467	447	517	609	558	373	482	519
Tax	-113	-119	-129	-140	-127	-86	-111	-119
Minority interest	0	0	0	0	0	0	0	0
Net result	354	328	388	469	431	287	371	400
Net result adjusted	351	328	386	469	431	285	369	398

Cash Flow

	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Net result reported	354	328	388	469	431	287	371	400
Other operating cash items	102	109	132	139	239	240	252	265
Change in Working capital	-93	29	-132	-155	-81	-5	-39	-33
Operating cash flow	363	465	388	452	589	523	584	632
CAPEX	-112	-291	-118	-228	-300	-129	-135	-139
Free cash flow	252	174	270	224	289	394	450	493
Dividends	-286	-286	-286	-286	-307	-151	-307	-331
Equity Issue / share buybacks	0	0	0	0	0	0	0	0
Acquisitions / Disposals	0	-78	-84	-4	-356	0	0	0
Other adjustments	95	134	-60	0	66	0	0	0
Total cash flow	61	-57	-160	-66	-309	243	142	161
Other non-cash adjustments	0	0	0	0	0	0	0	0
Net Debt	194	313	409	440	721	478	335	174

Balance sheet

	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
ASSETS								
Goodwill	532	541	578	594	763	763	763	763
Other intangible assets	245	9	29	34	35	35	35	35
Tangible assets	509	905	892	988	1196	1083	963	835
Other fixed assets	29	49	52	61	268	268	268	268
Total fixed assets	1314	1505	1552	1677	2262	2148	2028	1901
Inventories	673	718	825	952	1051	821	858	888
Customer receivables	630	655	731	809	777	773	808	836
Other current assets	0	0	0	0	0	0	0	0
Cash and cash equivalents	252	274	328	291	465	708	851	1012
Total current assets	1556	1646	1884	2052	2293	2303	2516	2737
TOTAL ASSETS	2870	3151	3435	3729	4555	4451	4545	4637
EQUITY AND LIABILITIES								
Shareholder equity	1835	1902	1991	2232	2413	2548	2610	2676
Minority interests	4	4	4	4	4	4	4	4
Total Equity	1839	1905	1995	2236	2417	2552	2614	2680
Interest-bearing debt	446	587	737	731	1186	1186	1186	1186
Non interest-bearing debt	585	659	704	762	952	713	745	771
Total liabilities	1031	1246	1440	1493	2138	1899	1931	1957
TOTAL EQUITY AND LIABILITIES	2870	3151	3435	3729	4555	4451	4545	4637

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We classify the share according to a High-Medium-Low scale based on a two-dimensional model comprising potential and risk.

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