

## From Briefs to Activewear: The Transformative Journey Continues

Björn Borg ("Björn Borg", the Company" or the Group) is a well-established and renowned company with a rich history spanning decades, earning its place as a favored brand among a vast consumer base. Nevertheless, the predominant association of Björn Borg with underwear presents a compelling challenge: to transition consumer perception from an underwear brand to a Sports Fashion Brand. This strategic shift, central to the Company's vision since 2014, has already yielded noteworthy progress, driven by amplified investments in social media and successful launches of new sport collections. Analyst Group foresees an attractive growth trajectory on the horizon, which promises improved margins. The forecasted EBIT for 2024 stands at SEK 118m, and by applying a forward EV/EBIT multiple of 10.5x, this presents a potential value of SEK 47.8 per share in a Base scenario.

#### From Couch to Catwalk: Athleisure's Runway Revolution

The trend for athleisure had already gained significant momentum prior to the pandemic, but as remote work became the new normal, the demand for comfortable clothing for both working from home and leisure activities surged. This acceleration blurred the lines further between athletic wear and everyday fashion, aligning seamlessly with Björn Borg's strategic focus since 2014; becoming the *No 1 Sports Fashion Brand* for those who want to feel active and attractive. The integration of athleisure into consumers' wardrobes is undeniable, marking a lasting trend. The athleisure wear market is poised to grow at a 5.8% CAGR until 2028, reaching an estimated value of USD 451bn, presenting favorable market dynamics for Björn Borg's operations ahead.

#### More Than Just a Dividend Company

Since its public listing in 2007, Björn Borg has consistently provided a lucrative dividend to its shareholders, with an average dividend yield of 5.6% over the past five years. The Company has exhibited moderate annual sales growth rate of approx. 4% over the past five years while maintaining stable operating margins averaging 8.7%. However, when looking under the surface, it is evident that the Sport Apparel business has garnered an increasing share of the total sales in recent years, showing a CAGR of 7.7% during 2018-2022, and an impressive 18% growth in 2022. Simultaneously, the larger underwear business has experienced flat revenue growth during the same period. With the Sport Apparel segment projected to gain further share of the Groups total sales, as Analyst Group forecast, Björn Borg is positioned to deliver stronger growth compared to its historical performance going forward.

#### Enhanced Revenue and Channel Mix to Boost Margins

Between the start of 2021 and the end of Q3-23, Björn Borg's gross margin has exhibited some volatility on a quarterly basis and been relatively unchanged during the period. However, the currency-neutral gross margin has shown substantial improvement during the same period, from about 51% to 55%. This development is attributed to an enhanced revenue and channel mix, coupled with reduced discounts to wholesale partners. As Björn Borg continues to scale its Sport Apparel business, with a projected 18% CAGR during 2023-2025, Analyst Group anticipates a higher underlying profitability within this segment. This, along with further improvements within its distribution, is expected to bolster the Group's overall profitability and cash flow generation. With a relatively fixed cost structure, an attractive operational leverage is anticipated to be materialized, potentially leading to an EBIT margin exceeding 17% in the long term.

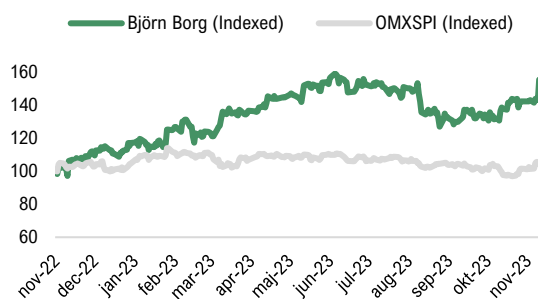
#### VALUATION RANGE

<b>Bear</b>	<b>Base</b>	<b>Bull</b>
SEK 32.4	SEK 47.8	SEK 58.8

#### KEY INFORMATION

Share Price (2023-11-20)	42.6
Shares Outstanding	25,148,384
Market Cap (SEKm)	1,071.3
Net cash(-)/debt(+) (SEKm)	140.7 <sup>1</sup>
Enterprise Value (SEKm)	1,212.0
List	Nasdaq Stockholm
Year-End report 2023	2024-02-23

#### SHARE PRICE DEVELOPMENT



#### OWNERS (SOURCE: HOLDINGS, 2023-09-30)

Nordnet Pensionsförsäkring	10.8%
Martin Bjäring	9.9%
Mats Nilsson	6.5%
Thomas Eklund	5.5%
Lazard Frères Gestion	5.2%

Forecast (SEKm)	2021A	2022A	2023E	2024E	2025E
Net Sales Growth	8.9%	8.7%	5.3%	4.9%	6.7%
<b>Net Sales</b>	<b>768</b>	<b>835</b>	<b>879</b>	<b>923</b>	<b>985</b>
COGS	-411	-414	-418	-438	-457
<b>Gross Profit</b>	<b>444</b>	<b>450</b>	<b>478</b>	<b>505</b>	<b>547</b>
Gross Margin	54.2%	50.8%	52.9%	54.7%	55.5%
OPEX	-305	-342	-359	-356	-377
<b>EBITDA</b>	<b>139</b>	<b>108</b>	<b>119</b>	<b>149</b>	<b>169</b>
EBITDA-margin	18.1%	12.9%	13.6%	16.1%	17.2%
<b>EBIT</b>	<b>104</b>	<b>73</b>	<b>88</b>	<b>118</b>	<b>139</b>
EBIT Margin	13.5%	8.8%	10.0%	12.8%	14.1%
EV/S	1.5	1.4	1.4	1.3	1.2
EV/EBITDA	8.7	11.2	10.2	8.2	7.2
EV/EBIT	11.7	16.5	13.8	10.3	8.7

<sup>1</sup> Debt + Leasing Liabilities excl Deferred Tax Liabilities.

## Table of Contents

Investment Thesis	3
Company Description	4-8
Market Analysis	9-11
Financial Forecast	12-19
Valuation	20-26
Bull and Bear	27
Management & Board	28-29
Appendix	30-34

## ABOUT THE COMPANY

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is on underwear and sports apparel with additional product lines such as footwear, bags, eyewear, and home textiles through licensees. Björn Borg products are available in around twenty markets, with Sweden and the Netherlands being the largest. The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores and e-commerce. Operations comprise brand development and services for the network of licensees and distributors, as well as product development in the core underwear and sports apparel businesses. Björn Borg has been listed on Nasdaq Stockholm since 2007.

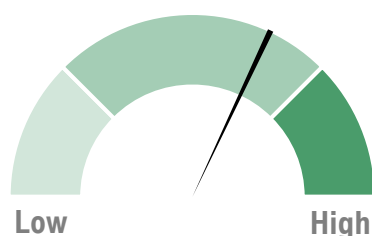
## CEO AND CHAIRMAN

CEO	Henrik Bunge
Chairman	Heiner Olbrich

## ANALYST

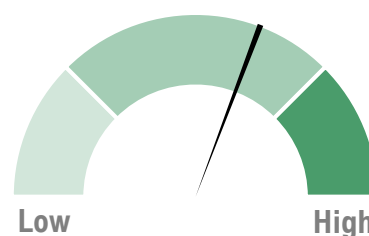
Namn	Christoffer Jennel
Phone	+46 731 58 95 55
E-mail	christoffer.jennel@analystgroup.se

## Value Drivers



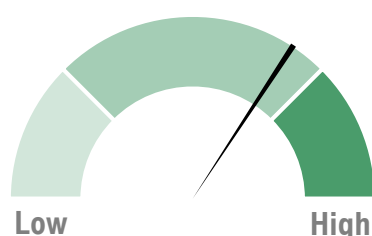
The key value drivers of Björn Borg going forward consists of a continuous successful work in changing the consumers' perception of the Björn Borg brand, from underwear to a Sports Fashion brand. The expansion within the German market, as well as within the US, will play a vital role in the Company's future growth and will therefore be important markets to monitor going forward. Additionally, further increase in online share would lay the foundation of higher profitability as sales scale, and provide better data as well as insights in customer base, which will be an important asset to e.g. increase efficiency in marketing.

## Historical Profitability



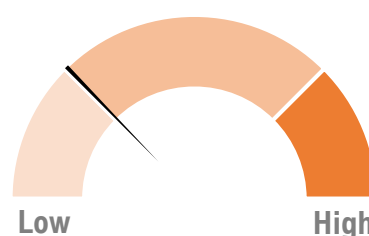
Björn Borg has an extensive record of showing profitability and FCF, with an average operating margin and FCF margin of 9.6% and 10.6%, respectively, for the past five years. On a currency-neutral basis, the operating margin has exhibited a positive trend in recent years, amounting to 13.7% in 2022. The FCF margin amounted to 6.2% during same period, i.e. below its five-year average, primarily due to increased inventory. The grade is based on historical performance, and hence, not forward-looking.

## Management &amp; Board



Analyst Group argues that the management and board of Björn Borg possess the requisite qualifications and experience to adeptly steer the Company through the challenges of the competitive and rapidly evolving apparel industry. Many have served the Company for 3-5 years, with experience from prominent apparel and retail firms. Henrik Bunge, Group CEO since 2014, brings a strong leadership history from companies such as Peak Performance, Adidas, and Hästen Sängar. The insider ownership amounts to ~12.7%, with management holding ~0.5% of the capital. To earn a higher grade, Analyst Group prefers greater management ownership.

## Risk Profile



The risk profile of Björn Borg is generally considered to be low, owing to the Company's sound balance sheet marked by no long-term debt, a substantial track record of consistently growing sales, and maintaining stable EBIT and FCF margins. However, a few factors contribute to an elevation of the risk profile. These include the dynamic nature of the fashion industry, intense competition in the market, and the ongoing challenge of ensuring that Björn Borg is not predominantly perceived as an underwear brand.

### Sport Apparel is Expected to be the Future Growth Machine...

For over two decades, Björn Borg has maintained a market-leading position in the Nordic's men's underwear market, creating a stable revenue foundation while establishing a strong brand awareness for the Group. However, as the revenues from underwear business has been relatively unchanged for the past five years, Sport Apparel has emerged as an increasingly important growth driver showing a CAGR of 7.7% during 2018-2022. In 2022, Sport Apparel contributed to 19% of total sales, a notable increase from the 17% share in 2018. This shift has been propelled by a combination of intensified investments in building a strong community, primarily through social media, as well as engaging campaigns and offline events. The launch of sport apparel that resonates with target customers has been pivotal to this transformation. Social media has become an increasingly more important platform in order for Björn Borg to connect with its end customers, and during 2021-2022, Björn Borg made its most significant investments in building a community, activating collaborations with hundreds of influencer. These investments has undeniably borne fruit, with Sport Apparel recording a 18% growth in 2022, a growth rate that has been maintained during 2023 despite a challenging macro environment with increasing interest rates, high inflation, geopolitical uncertainties, and weaker consumer confidence and spending. Analyst Group projects that this positive momentum will persist, with sport apparel expected to be the driving force behind the Groups future growth.

**18%**  
Y-Y GROWTH  
SPORT APPAREL  
(2022A)

### ...Where a Successful Category Move Among Consumers Will Play a Pivotal Role

The challenge facing Björn Borg is to reshape consumers' perception of the brand. Rather than associating Björn Borg solely with men's underwear, the aim is to establish the Company as a prominent sports fashion brand, a goal that has been a top priority since 2014. Promisingly, significant progress has already been made, as evidenced by the fact that 47% of Swedish respondents included Björn Borg in their top three preferred brands, according to the Company's own surveys in 2022. Nevertheless, there remains a considerable journey ahead, offering a substantial opportunity to boost sales by successfully navigating this shift in consumer perception. This transformation would also facilitate the introduction of additional product lines, capitalizing on the brand's newfound identity as a sports fashion brand.

Isn't it an Underwear company?  
Nope - It's a Sports Fashion Brand!

BJÖRN BORG

### From Niche to Thriving Industry: The Activewear Market Surges to a Valuation of 319 mdUSD in 2022

In recent years, the popularity of athleisure wear has skyrocketed as consumers seek comfortable and stylish clothing worn during and after physical activity. The rise of the athleisure trend has undoubtedly blurred the lines between athletic apparel and everyday fashion, enabling consumers to seamlessly transition from workout to casual wear. The pandemic gave an upswing to the athleisure industry as more people adopted remote work and sought comfortable clothing for both working from home and leisure activities. Once confined to a niche in the athletic apparel sector, athleisure wear has transformed into a flourishing industry, and in 2022, the market reached a valuation of USD 319bn and is poised to experience a 5.8% CAGR from 2022 to 2028. In addition to an increased demand for comfortable and stylish clothing as mentioned above, the growth is expected to be fuel by an accelerated global emphasis on health and fitness as well as a rising participation in sports activities globally. While the projected CAGR for Björn Borg's overall net sales is 5.7% during 2023-2025, the Sport Apparel business is anticipated to demonstrate a more robust CAGR of 18.0%, outpacing the market growth, resulting in increased market shares for Björn Borg's sport apparel.

### Valuation: A Summary

Björn Borg has a proven track record of steady profitable growth, while delivering a lucrative dividend yield to shareholders. Analyst Group foresees this trend continuing, with the Sport Apparel business serving as the main catalyst for future growth, as the structural trends within the athleisure wear market provide favorable tailwinds. Based on FY2024 projected EBIT of SEK 118m and a forward EV/EBIT multiple of 10.5x, an Enterprise Value of SEK 1,240m has been derived. After adjusting for estimated capital structure in 2024, Analyst Group sees a potential value of SEK 47.8 per share. The relative valuation is substantiated by our DCF, indicating a value of SEK 48.2 per share.

### Competitive Industry and Fast-Changing Fashion Trends are Risks to Monitor

The apparel industry is renowned for its fierce competition, with numerous established brands and emerging players vying for consumer attention. To both maintain and expand market share, Björn Borg must implement strategic measures that enhance brand awareness. This involves maintaining a robust brand identity, consistently delivering top-quality products, and ensuring exceptional customer experiences. Furthermore, the introduction of new collections that align with consumer preferences is of paramount importance. These strategies will not only enable Björn Borg to navigate the ever-evolving fashion landscape but also solidify its status as a relevant and competitive choice for its target audience.

STRONG ATHELISURE TREND  
HAS BLURRED THE LINES  
BETWEEN ATHLETIC APPAREL  
AND EVERYDAY FASHION

**5.8%**  
CAGR  
ACTIVE WEAR  
(2022-2028)

**SEK 47.8**  
PER SHARE  
(BASE SCENARIO)

FIECRCE  
COMPETITION AND  
EVER-EVOLVING  
FASHION LANDSCAPE



**THE GOAL**  
**NO.1 SPORTS**  
**FASHION BRAND**

### The Timeless Appeal of the Björn Borg Brand: Rooted in the 80s

Björn Borg is a Swedish sports fashion brand renowned for its distinctive blend of sporty style and innovative design. In 1984, the Company launched its first collection – The Björn Borg Collection – named after the legendary Swedish tennis player, Björn Borg. The Company began by offering sports apparel, but in 1989, Björn Borg took a step into the underwear business. This move has since become a major asset for the Group, contributing significantly to both revenues and brand awareness. In 2014, Björn Borg got back to the Company’s DNA, namely sports apparel, with the mission of becoming the *No.1 Sports Fashion Brand for the Active and Attractive*.

**TRAIN TO LIVE**

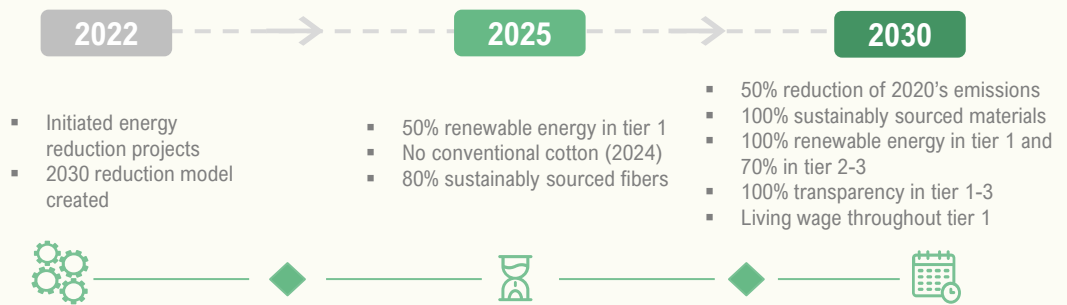
In 2006, the Company acquired the trademark Björn Borg and since then the Group has held the global rights to the brand, meaning that Björn Borg are able to control the brand’s development and operate from a position of strength internationally. The brand was acquired for SEK 124m (cash purchase) and together with additional purchase consideration, the Company values the Björn Borg brand to SEK 187.5m in the balance sheet, a value that has been unchanged up to this day. Through its brand, Björn Borg aim to inspire people to be their own best version, with training being a central part to achieve that. By inspiring people who want to live a little longer, be slightly happier, a bit smarter, and to have a better memory, Björn Borg ultimately addresses a broad group of people, including those who not buys sportswear today. The Company has a clear and simple message that it wants to spread – *Train to Live*.

### Sustainability and Company Culture Plays a Big Part for Björn Borg

**SUSTAINABILITY**  
**IS ONE OF TOP**  
**THREE BUSINESS**  
**GOAL**

Sustainability is one of Björn Borg's top three business goals and the Company's sustainability work is divided into three areas: 1) responsible production, 2) reduced climate footprint, and 3) driving sustainable consumption. For example, in 2020, the Company established the goal to reach a 50% reduction in carbon dioxide in absolute terms in 2030. Further, Björn Borg's has a goal to offer products that are 100% sustainable and, in the Autumn/Winter 2023 collection, 100% of clothing, 35% of bags and 51% of footwear includes more sustainable materials such as recycled polyester and polyamide, LWG-certified leather, and cotton that supports Better Cotton's mission.

**Sustainability**  
**Goals:**  
**At a Glance**



**92%**  
(2022)  
**EMPLOYEE**  
**ENGAGEMENT**



The team behind Björn Borg, together with the brand, are significant assets for the Company, which is also why Björn Borg puts a big emphasize on the Company’s culture. Björn Borg's culture is characterized by high ambition and drive, fueled by a strong passion for sports and fashion. Employees are motivated, creative, and committed to the brand's success, driving innovation and productivity. This enthusiasm positively influences the Company's financial performance, enhancing shareholder value. The Company's shared values, such as Passion, Empowering, Winning Attitude, Bold, and Magnetic, serve as guiding principles in daily work. These values create a unified and motivated workforce, aligned with the Company’s mission, which is a driver of employee commitment and financial success.

**87%**  
(2022)  
**TRUST IN**  
**MANAGEMENT**



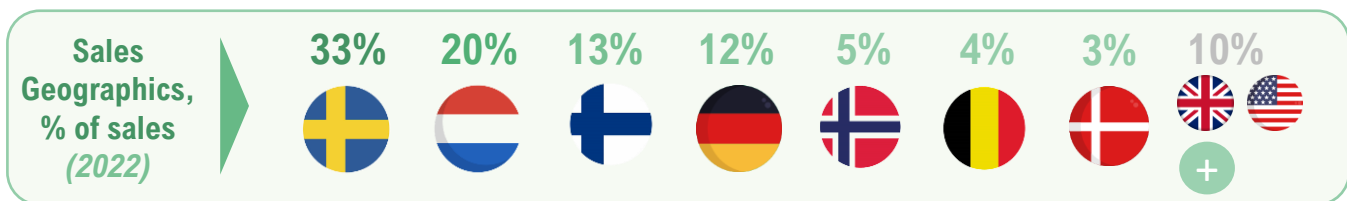
High employee engagement (87%) indicates a committed and motivated workforce. The employees' trust in management (92%) reflects the success of the Company’s leadership in fostering a positive work environment, which, in turn, drives performance and shareholder value. Given the broad brand awareness for the Björn Borg brand and high-performing KPI's regarding employee satisfaction and trust in management, the Company is able to attract talented workforce and by keeping the workforce motivated and passionate, Björn Borg creates an important receipt to deliver long-term shareholder value.



## Business Model

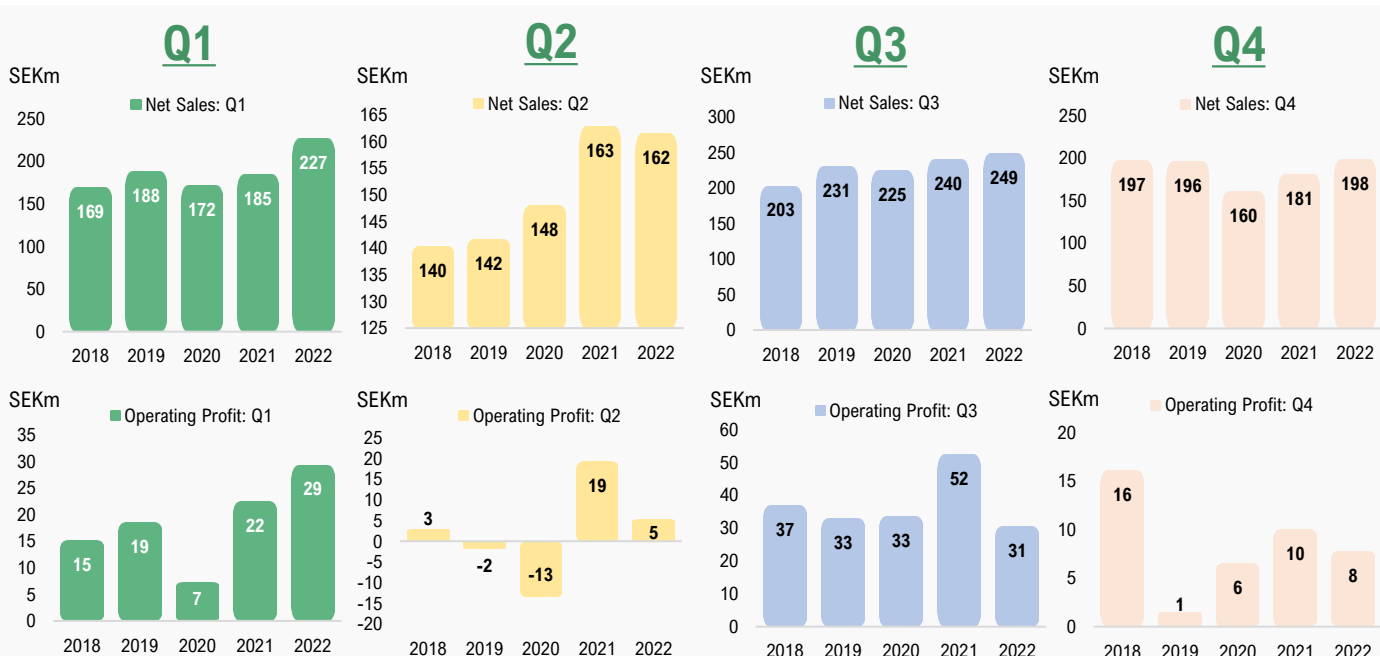
Over the years, Björn Borg has expanded its product range to include a wide array of sportswear, underwear, swimwear, footwear, bags and other accessories. In 2022, the underwear business constituted approx. 55% of the total revenues, while the corresponding share for Sport Apparel amounted to 19%, footwear 8%, bags 6%, and other products 12%. The Björn Borg Group is represented in about twenty markets around the world and is responsible for the distribution of underwear and sports apparel in primarily Sweden, England, Finland, the Netherlands, and Germany, as well as footwear in Sweden and Finland. Björn Borg also distribute their products in other markets such as Norway, the US, France, Belgium, and Canada through licensees, external retailers, and collaborations. The aspect of the business model that relies on external partners is quite capital-efficient for the Company. This is because the network's external licensees and distributors take responsibility for marketing, including investments and inventory, in their respective markets, which, in turn, minimizes risk and required investments for Björn Borg. Sweden has been, and still is, one of Björn Borg's most influential market and makes up the lion share (~33% in 2022) of the revenue distribution globally, with the Benelux-region being the second biggest market in terms of revenue (~24% in 2022). However, Germany has become an increasingly important market for Björn Borg, constituting approx. 12% of the revenues in 2022, and has shown a strong growth in recent years, where E-tailers such as Zalando has played an important role in that growth. The response from the US market, since the launch of its own brand page on Amazon.com about a year ago, has been somewhat modest. However, it holds substantial growth potential as Björn Borg dedicates more resources and operational focus to this market.

SWEDEN IS THE LARGEST MARKET TO DATE



BJÖRN BORG HAVE A DISTINCT SEASONAL PATTERN

Björn Borg's financial performance has historically exhibited a distinct seasonal pattern, with Q3 consistently emerging as the most revenue-generating quarter, while Q2 typically marks a relative dip in performance. However, this seasonality owes less to fluctuations in consumer purchasing behavior, instead the primary driver behind this seasonality is the strategic ordering practices of a significant portion of the retail operations. These retailers place substantial orders with Björn Borg a full year in advance, consequently, Björn Borg fulfills these orders and invoices them during the third quarter of the year. This phenomenon results in a pronounced concentration of the revenue generation, and since the cost base is fairly stable throughout the quarters, the operating profits tend to peak during Q3, with reverse condition regarding Q2.



## Business Model, Contd.

Björn Borg uses several different sales channels to distribute its products, and the main revenue streams are divided into Wholesale, Own-Ecommerce, Own Stores, Distributors and Licensing. In recent years, Björn Borg has experienced a strong development within its online distribution and in 2022, online sales constituted approx. 36% of total sales. In comparison, in 2018, around 16% of the revenue were generated through online channels. The positive development has especially been fueled by the Company's own E-commerce, growing 14% in 2022 Y-Y. The positive momentum has continued during 2023, with a nearly mid-30% growth YTD which, in combination with high double-digit growth in own comparable stores, is a sign of strength of the brand. Own stores consists of concept (full price) and outlet stores in Sweden, the Netherlands and Belgium, and between 2018-2022 the stores amount has decreased from 31 to 18 stores, with outlet stores making up the large part of total stores count and is a development that aligns with the Company's strategy to close unprofitable stores.

## Cost Structure & Supply chain

The Company's major cost driver is the Cost of Goods Sold (COGS), encompassing expenses directly associated with production and delivery, including raw materials, labor, manufacturing overheads, and shipping costs. Most production is outsourced to suppliers in Asia, particularly China, though there has been a shift towards European production, primarily in Turkey. This strategic move not only reduces delivery times but also enhances supply chain resilience. It is important to note that Björn Borg's COGS are notably sensitive to fluctuations in the USD due to a large portion of the purchases are in USD, while the majority of sales being conducted in SEK and EUR, which impacts the gross margin significantly.

The Company has experienced a reduction in its workforce since 2019 as result of closing unprofitable full-concept stores, with the pandemic further contributing to layoffs. As of the end of 2022, Björn Borg employed 151 individuals, making staff costs a substantial portion of operational expenses, accounting for 17% of net sales. Other operational expenses in 2022 amounted to 22% of net sales, totaling SEK 181m. These expenses cover rental costs, marketing activities, sales costs, and administrative expenses, with marketing representing approximately 38% of operational expenses, equivalent to 8% of net sales. In 2021-2022, Björn Borg made significant investments in building a strong community, activating numerous influencer collaborations in all operating markets. This led to increased marketing expenses but also enhanced brand awareness, a pivotal focus for Björn Borg. Consequently, this cost item is anticipated to continue to rise in the future. Historically, Depreciation and Amortization (D&A) has represented slightly over 1% of net sales. Nonetheless, due to the acquisition of Right-of-Use assets, particularly premises, D&A has seen an increase recent years, reaching 4% in 2022.

As fixed costs constitute a significant portion, representing 50.4% of Björn Borg's total costs, the Company demonstrates robust operational leverage. This leverage has the potential to further enhance as the Company continues to expand sales through online channels. The shift towards online channels expands the Company's customer reach but also enable more cost-efficient operations. Through a digital expansion, the dependency on traditional brick-and-mortar stores reduces, thus offering greater flexibility and scalability. As a result, Björn Borg is well-positioned to optimize its cost structure and enhance operational efficiency, especially as it leverages the power of e-commerce.

**36%**  
IN ONLINE SALES  
(2022)

GROSS MARGIN  
IS SENSITIVE TO  
CURRENCY  
FLUCTUATIONS

THE COST  
STRUCTURE  
ENABLES  
INCREASED  
OPERATIONAL  
LEVERAGE

## 2022A At a Glance

### Revenue Mix % of total sales



**55%**  
Underwear



**19%**  
Sport Apparel



**26%**  
Bags, Footwear,  
Glasses, and other  
products

### Channel Mix % of total sales



**63%**  
Wholesale



**26%**  
Consumer Direct



**11%**  
Distributors



**1%**  
Licensing

### Cost Structure % of total sales



**45%**  
COGS



**22%**  
Other Operating  
Expenses



**17%**  
Staff Costs



**4%**  
D&A

### Other



**151**  
Workforce



**18**  
Number of Stores  
(Group-Owned)

Low Risk 1 ←————→ High Risk 10

## Industry Dynamics



## Business Lifecycle



## Fragility



## Market Swings



## Revenue Mix and Income Consistency



## Dependency



## Pricing Power



## Operational Leverage



## Financial Resource Commitment



## Capital Requirements



### Business Model – In Depth

Björn Borg operates in the fashion and apparel industry, which can be subject to moderate to rapid changes. Fashion trends can change quickly, but the rate of change in this industry may not be as high as in e.g. some tech sectors.

Björn Borg is a well-established company with decades of history. It is not in the early stages of development but rather in a mature phase.

Björn Borg, being a well-established brand, provides some economic resilience. In tougher economic times, consumers may still buy essential items like underwear and sportswear, which could work in the Company's favor. However, the fashion industry can be sensitive to economic downturns. Reduced debt positions and a strong FCF generation provides a sound financial position for Björn Borg.

The demand for fashion and apparel products can be somewhat cyclical, with seasonal variations and trends. However, Björn Borg's focus on underwear, sportswear, and lifestyle products provides some stability.

Björn Borg primarily relies on sales of underwear, sportswear, and related accessories, which provides a diversified product range within this niche. However, the revenues are not recurring, which limits the income consistency.

Björn Borg has a diversified retail network and a direct-to-consumer online presence, which together with a broad selection of independent partners and Group-owned stores, results in a relatively low dependency within its distribution chain.

Due to challenging exchange rates and a surge in raw material, especially in 2022-2023, Björn Borg managed to increase consumer prices successfully. However, the Company's pricing power might be somewhat limited given the competitive fashion industry, as Björn Borg is not considered to be a luxury brand.

Given that half of Björn Borg's total costs are fixed, the current cost structure offers operational leverage as the business scales. Economies of scale in manufacturing and distribution, along with a growing online presence, contribute to additional cost efficiencies and leverage.

While Björn Borg does not invest in substantial assets like heavy machinery, as an apparel company, a notable share of its capital is allocated to inventory, accounts receivable, and accounts payable. The fast-paced nature of the fashion industry presents a risk of accumulating high inventory levels.

As a mature company consistently generating high FCF and paying dividends, Björn Borg operates its core business without the need for external financing. Nevertheless, the utilization of its current credit line varies throughout the year and may increase in response to larger expansion, higher working capital requirements, or investments in new markets.

## Strategic Outlook - Business Strategy going forward

To drive profitable growth, the strategy onwards circulates primarily around three key focus areas:

**Increase the share of online sales**

**1**

**Increase the share of online and business e-tailers** – The own E-commerce is, and will still be, a high priority for the Company, as it presents a great opportunity to increase margins as sales scales.

**Grow the Sports Apparel Business**

**2**

**Grow the business share and preference in sports apparel** – The objective is to sustain and propel the momentum, fortifying Björn Borg's standing as a sports fashion brand. This will be accomplished through steadfast market and brand communication, where social media, campaigns, and events serve as pivotal channels in achieving this goal.

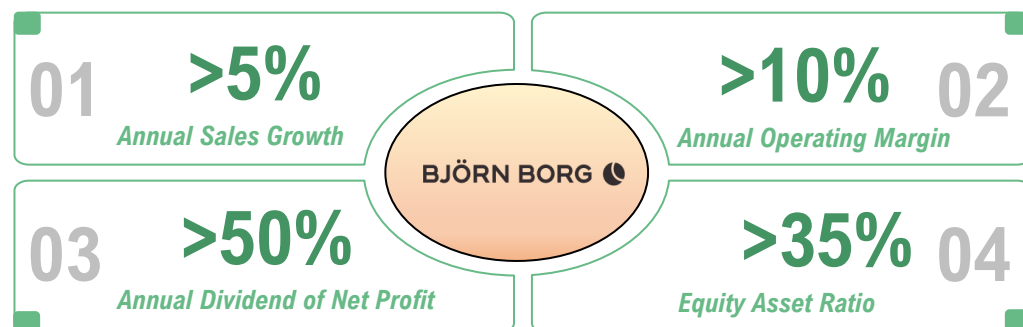
**Expand Geographically**

**3**

**Expand geographically** - Especially in Germany, with Zalando being an important part going forward. The US will also be a market of interest for the Company in coming years and since a year back Björn Borg have had their own brand page on Amazon.com.

## Financial Objectives

Björn Borg's financial objectives were last updated in early 2019 and was set for a five-year period to 2023<sup>1</sup>. Below these objectives are presented:



<sup>1</sup> In conjunction with the Q3 report (2023), the financial objectives were prolonged and are valid until further notice.

**Average 2019-2022 (excl. COVID)**    **Average 2019-2022 (incl. COVID)**

**Net Sales Growth**

**8.1%**    **4.4%**

**Organic Net Sales Growth**

**6.6%**    **3.5%**

**EBIT margin**

**9.7%**    **8.5%**

**EBIT margin adj.<sup>2</sup>**

**11.2%**    **9.7%**

**Dividend of Net Profit**

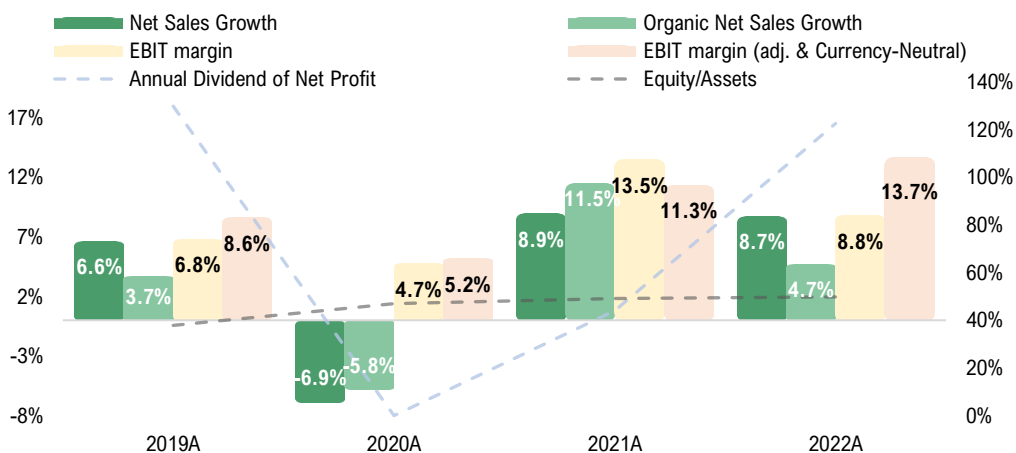
**98.8%**    **74.1%**

**Equity/Asset**

**45.6%**    **45.9%**

By analyzing Björn Borg's historical financial performance, it becomes evident that the COVID-19 outbreak significantly impacted the Company's ability to achieve all of its financial objectives. This impact was marked by reduced demand in the retail market, disruptions in the distribution chain, unfavorable currency effects, and the closure of physical stores. Excluding the tumultuous COVID-year, Björn Borg has, on average, met all the expected benchmarks so far. However, when considering the pandemic year, the Company's growth fell short on the established objectives, on average, during 2019-2022. It's worth noting that, except for the exceptional year of 2020, Björn Borg has consistently distributed dividends to shareholders every year since its IPO in 2007.

## Outcome (2019-2022): Financial Objectives



Source: Björn Borg

<sup>2</sup> Adjusted for Other Operating Income, Other Operating Expenses, and Currency-Effects





## Transformed From a Men's Underwear Company to a Sports Fashion Company

In 2014, Björn Borg established a new business plan - *Northern Star* - with the aim to expand the Björn Borg brand from being synonymous with men's underwear to being synonymous with sports fashion. Since then, the Sport Apparel business has grown from approx. 10% of revenue to 19 % in 2022, and approx. 21% last twelve months. One of the Company's biggest focus areas going forward is to grow the Sport Apparel business substantially.

Given its fashion orientation, mix of major and small producers, low obstacles to entry, the flow of local and imported items, and a wide variety of retailing techniques, the apparel industry is competitive. Björn Borg competes with a plethora of domestic and foreign designers, brand owners, producers, and retailers of apparel, accessories, and footwear, including, in certain instances, the wholesale customers' private label brands. Moreover, the ongoing shift in consumer shopping preferences towards the digital channel has spurred strong industry growth. This has led to an influx of companies in the apparel sector, along with increased transparency in pricing and product comparisons. These factors collectively influence purchasing decisions. Consumers are also becoming more concerned with circularity in the apparel industry, and new market actors' ability to rent or acquire pre-owned apparel is influencing purchasing decisions.

## Activewear Market Size and the Covid-Effect

The sport apparel market, also known as the athletic wear or activewear market, is a sub-segment of the larger apparel industry, and includes clothing and accessories suitable for sports, fitness activities, and generally active lifestyle. Products within the industry stretches from clothing for running, yoga, and fitness, as well as general athletic wear such as athletic shoes, performance fabrics, and sportswear. The Covid-19 pandemic had undoubtedly significant effects on not only the sport apparel market, but the broader retail and apparel industry, including global supply chain disruptions, retail closures, canceled sports event and decline in gym attendance. However, the pandemic also brought several trends and shifts in consumer behaviors, with e.g., E-commerce experiencing a material surge in demand and usage. The pandemic also accelerated the athleisure trend and has further blurred the lines between athletic apparel and everyday fashion, as more people adopted remote work and sought comfortable clothing for both working from home and leisure activities which, in turn, increased the demand for comfortable and stylish athleisure products.

The global activewear experienced, according to Statista, a growth of 5.3% in 2022, which valued the total global market to USD 319bn. The market is expected to witness a 5.8% CAGR during 2022-2028, leading to a market size of USD 451bn in 2028. Important growth drivers are estimated to come from an increasing global emphasis on health and fitness, an increased demand for comfortable and stylish clothing worn during and after physical activity, as well as rising participation in sports activities globally.

**An Increasing Global Emphasis on Health and Fitness, Increased Demand for Comfortable and Stylish Clothing, and Rising Participation in Sports Activities will Support the Growth on the Activewear Market Going Forward.**

Global Activewear Market, 2022-2028



Source: Statista, 2023

### Apparel Industry Characteristics

- Crowded Market
- Low Barriers to Entry
- Increased Online Focus

**USD 451bn**  
GLOBAL  
ACTIVWEAR  
2028E



## Sustainability has Become a Critical Focus Area for Consumers and Brands

Sustainability has been a long-time trend within the fashion industry, but in recent years it has been increasingly important in the athleisure market, as consumers more than ever seeks products that are environmentally friendly, ethically produced, and sustainable, benefitting companies that has incorporated sustainable practices into their products and supply chains.

A McKinsey survey<sup>1</sup> revealed that sustainability engagement amongst consumers deepened during the COVID-19 crisis. European consumers now expect fashion companies to act responsibly and consider the social and environmental impacts of their businesses. The crisis has made it even more important to limit climate change impacts, as reported by two-thirds of surveyed consumers. Additionally, 88% believe more attention should be given to reducing pollution. Consumers are already changing their behaviors to align with these concerns. Over 60% are recycling and purchasing products in environmentally friendly packaging. Sustainable materials have become an important factor for 67% of consumers when making purchasing decisions, and 63% consider a brand's promotion of sustainability just as crucial. Lastly, there's a growing interest in purchasing secondhand fashion items among younger European consumers. Approx. 50% of Gen Z and millennials expect to buy more secondhand items in the post-COVID-19 era.

Other important consumer trends includes personalization and technology, where the former involves products that is tailored to each individuals needs and preferences, such as the ability to choose different colors and designs. The latter reflects an increased demand for products that incorporate technology to enhance performance and overall experience, such as moisture-wicking fabrics, temperate regulation, compression technology, GPS tracking or biometric sensors. Thus, sportswear brands invest heavily in R&D to be able to meet consumers demand for enhanced performance features in the products.

## Major Market Players in the Sports Fashion Market

The sport apparel market is dominated by well-known brands such as Nike, Adidas, Under Armour, Puma, and Reebok. These companies offer a wide range of sportswear products and accessories and often collaborate with athletes. In recent years, several new and innovative brands have emerged in the sports apparel market. These brands often focus on sustainability, eco-friendly, or performance-enhancing materials, and some well-known examples includes Lululemon, Fabletics, and Gymshark. In the Swedish market, brands such as Stronger, Aim'n, and ICIW have grown strongly the last couple of years, both in terms of revenues and awareness. All three brands have shown an exponential growth since its inception, and between 2019-2022 the net revenue CAGR amounts to 28%, 25%, and 38%, respectively.

Despite the dominance by global players such as Nike and Adidas, the brand awareness of Björn Borg is strong, especially within the underwear business where the Company is a market leader in the Nordics. However, it is apparent that the Björn Borg brand is gaining traction in the Swedish sports apparel market, and according to the Company's own polls and measurements, 47% of the Swedish respondents ranked Björn Borg as one of their three preferred brands in 2022, with Nike and Adidas coming first and second place.

## Influencer Marketing has Become an Important Tool for Sport Apparel Brands to Enhance Awareness

Over the past few years, the strategic use of influencer marketing and brand partnerships has played a pivotal role in the promotion of sports apparel brands. Through teaming up with social media influencers, athletes, and celebrities, these brands tap into their extensive reach and credibility to elevate their presence and appeal among consumers. These collaborative efforts not only help shape a strong and compelling brand image but also establish deeper connections with specific target audiences. In addition, the industry faces intense competition from both established players and emerging brands. Consequently, in order to maintain a competitive edge, companies specializing in sports apparel must continually foster innovation, channel resources into research and development, and introduce distinctive products that align with the ever-evolving demands of consumers.

During 2021-2022, Björn Borg made substantial investments in community building, initiating multiple influencer collaborations across all the markets where the Company is active. This strategic upsurge in influencer marketing has firmly established Björn Borg's brand presence on social media platforms, aligning with where consumers dedicate a substantial portion of their time. These investments in influencers and social media have notably heightened the brand awareness of Björn Borg as a sports fashion brand, marking a significant move in their ongoing efforts to enhance their brand recognition within this segment in the future.

### McKinsey Survey

**63%** Of the respondents believes a brand's promotion of sustainability to be crucial

**67%** Of the respondents think sustainable materials are important

**50%** Of the Gen-Z and Millennials respondents expects to buy more second-hand items post-COVID

<sup>1</sup> Consumer Sentiment on Sustainability in Fashion (2021)



**INFLUENCERS HELP TO SHAPE A STRONG COMPELLING BRAND IMAGE**

**BJÖRN BORG MADE SUBSTANTIAL INVESTMENTS IN INFLUENCER MARKETING IN 2021-2022**



## The Apparel Industry is Sensitive to Consumer Spending and Sentiment

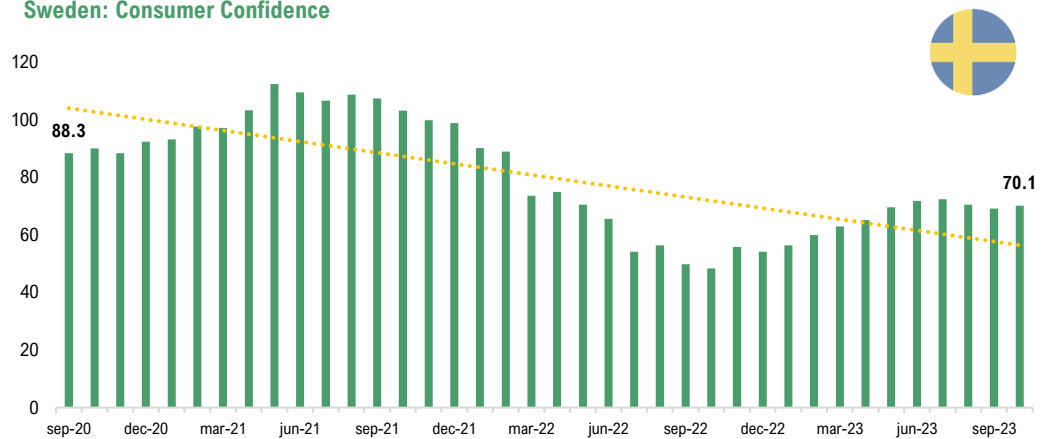
The sport apparel industry, as well as the general apparel industry, is highly sensitive to consumer spending, consumer sentiment, and the broader environment. Consumer spending patterns have a direct impact on the sale of both general and sport apparel, when consumer have more disposable income and are willing to spend, they are more likely to invest in clothing, including sportswear. Since apparel, especially sportswear, is often considered a discretionary purchase, consumers are likely to cut back on non-essential spending during economic downturn, and vice versa. Consumers perceptions of the general economy, job security, and financial well-being, in other words the consumer sentiment, strongly influences purchasing decisions, where high consumer confidence tends to boost consumer spending, including on discretionary products such as clothing.

Consumer sentiment has deteriorated somewhat on a global basis as a result of recent rise in interest rates, high inflation, geopolitical uncertainty, volatile energy prices, and a general economic downturn. These events has also impacted consumers disposable income which, in turn, has affected retail sales. Below we have highlighted the Swedish consumer confidence during the past three years and the development within Swedish retail sales for the past five years, which showcase a softening retail industry and a descending consumer confidence, although some positive signs has emerged recently.

### Sweden: Consumer Confidence



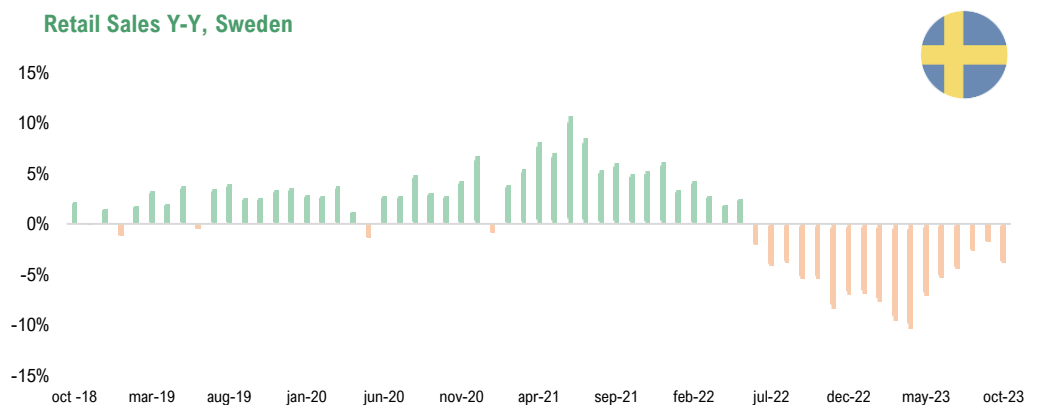
Somewhat soft consumer confidence



### Retail Sales Y-Y, Sweden



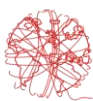
Retail sales, though relatively weak, have been making some improvements recently



Source: Investing.com

## Regulatory Environment

In the coming years, the sports apparel industry is likely to see increased attention on sustainability, ethical manufacturing, and responsible business practices. Brands that proactively address these issues and stay up-to-date with relevant regulations are more likely to thrive and maintain a positive reputation in the market. Many large players within sports apparel and the general apparel industry, such as H&M and Adidas, has implemented several sustainability goals going forward. For example, Adidas has made sustainability a priority, and the company has set a goal to become climate neutral by 2050, while H&M aims to become 100% circular and climate positive by 2030. Björn Borg is a member of the Swedish Textile Initiative for Climate Action (STICA) and has committed to reduce its absolute greenhouse gas emissions by 50% by 2030 from a 2020 base year.



The Swedish Textile Initiative for Climate Action  
**STICA**



## Historical Performance

Björn Borg is a well-established company with decades of history. Hence, it is not in its early stages of development but rather in a mature phase, which becomes evident when studying growth rates, profitability, CAPEX-levels, cash flow, and other financial metrics. From 2014 to 2022, Björn Borg grew net sales with an annual compounding rate (CAGR) of 5.6%, accompanied by a relatively stable operating margin of approx. 7-9%, and a gross margin between 52-55%.

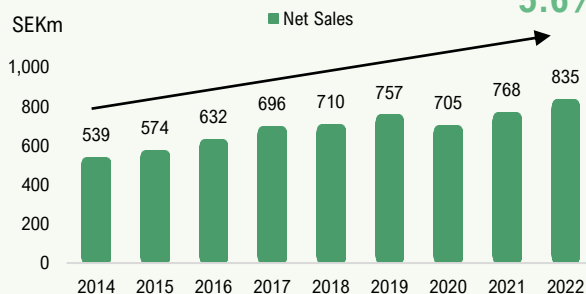
However, due to its relatively small size compared to the bigger players within sports apparel, accessories and underwear, (e.g. Nike, Adidas, Lululemon), it leaves a higher potential to gain market shares. For obvious reasons, it is far easier to scale from SEK 800m to SEK 1,600m, than to scale from SEK 80bn to SEK 160bn.

Since its inception, Björn Borg has more or less been solely associated with being a men's underwear company, which the Company up to this date still are to a large extent. However, the underwear share of total sales have been declining in recent years, from 67% in 2018 to approx. 55% in 2022, while segments such as Sports Apparel, Footwear, and Bags have taken a successively larger chunk of the sales. In 2014, Björn Borg increased its efforts to expand the Sports Apparel business, which is also one of the key focus areas going forward. Since 2014, Sports Apparel have grown from constituting 10% of revenues to approx. 19% in 2022.

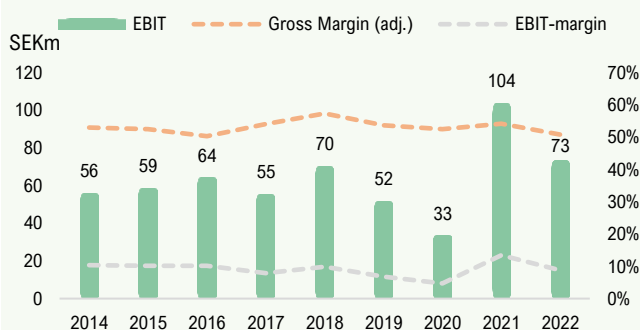
By successfully achieving a category move in consumers perception of Björn Borg as a brand, from men's underwear to a sports fashion brand, Björn Borg has a great potential to increase sales. It also simplifies the introduction of new product categories when being perceived as a sports fashion brand, and thus making it easier to succeed with other products. There is increasing evidence that consumers preference for Björn Borg has boosted in recent years and according to the Company's own polls and measurements, 47% of Swedish respondents ranked Björn Borg as one of their three preferred brands in 2022, with Nike and Adidas coming first and second place. This leaves a great possibility for Björn Borg to capitalize on the increased awareness and preference for the brand going forward, by making sure that the Company distributes its products where the consumers are. For example, Björn Borg has successfully increased the Groups share of online sales from 19% in 2019 to 36% in 2022 through own E-commerce and E-Tailers, while at the same time closing unprofitable physical stores, as more customers are turning to E-commerce following the COVID-19 pandemic.

The Swedish market has historically been the major contributor to the Groups total sales, making up a third of the sales in 2022, followed by the Netherlands, Finland, and Germany, in that order. However, Germany has been, during 2019-2022, the fastest growing market, with the German E-tailer Zalando playing a crucial role in that growth. Björn Borg is responsible for the distribution of underwear, sports apparel and bags in the German market and has its own sales organization and office in the country. The German market will continue to be a key market for Björn Borg, among others, and Analyst Group foresees a strong growth in the country going forward.

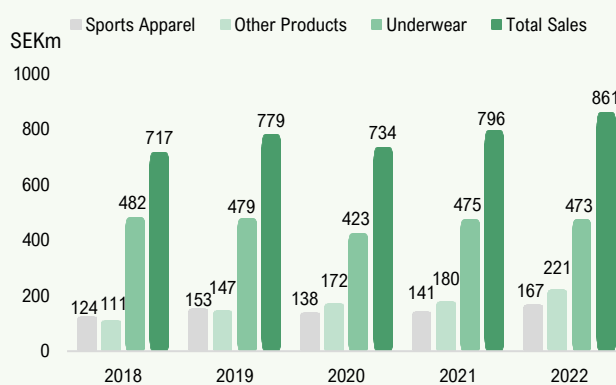
## Historical Sales Trajectory CAGR 2014-2022 5.6%



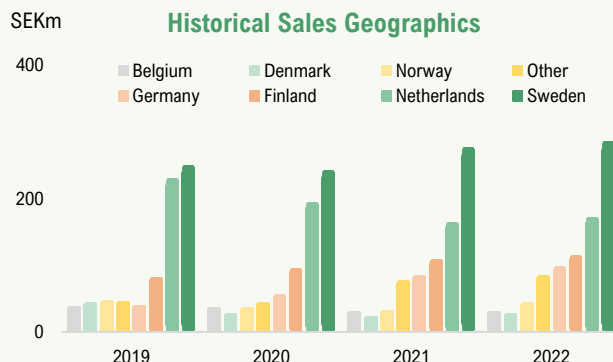
## Historical Profitability Trajectory



## Historical Performance: Revenue Mix



## Historical Sales Geographics

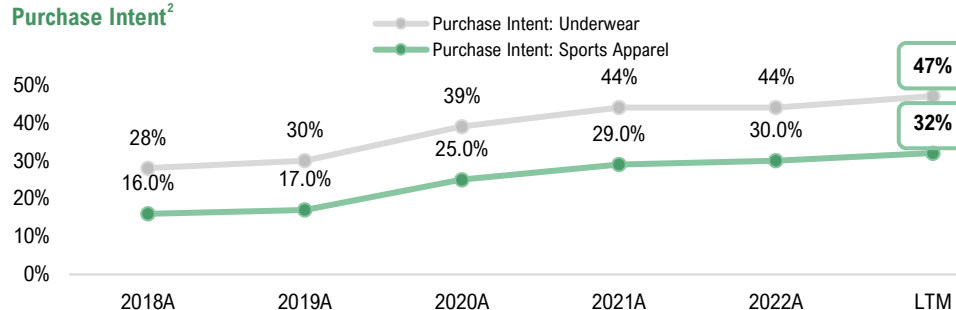


**BJÖRN BORG IS A  
PREFERRED  
BRAND AMONG  
CONSUMERS**

### Category Move will be a Main Key Revenue Driver to Support Profitable Growth

The re-positioning from being synonymous with underwear to a sports fashion brand is, according to Analyst Group, one of the key revenue drivers going forward. This transformation is expected to be driven not only by continuing but also by amplifying market activities, especially through the power of social media, including influencer marketing. In addition to online initiatives, physical events and campaigns will play a pivotal role in adding further exposure and awareness to the equation. By strategically engaging influential ambassadors within the Björn Borg network, in synergy with the brand's social media channels, the Company is able to consistently fortify its market presence and brand communication. This approach is instrumental in building a more robust and engaged community, expanding the customer base, and cementing Björn Borg's standing as a sports fashion brand going forward. This marketing strategy has already demonstrated its efficacy during 2021-2022, resulting in a substantial surge in brand preference. Notably, 30% more female customers and 40% more male customers included Björn Borg as one of their preferred sports brands in 2022<sup>1</sup>, while the overall purchase intent has shown great progress recent years.

#### Purchase Intent<sup>2</sup>



<sup>1</sup> Source: Björn Borg

<sup>2</sup> Source: Björn Borg

Moreover, looking ahead, new and successful collection launches will continue to be a vital component in staying relevant and attractive as a brand. Innovations in design, functionality, and style are key in meeting the evolving tastes of consumers. Furthermore, the Company's dedication to sustainability and enhancing the quality of its clothing is another significant driver of revenue growth. The trend toward sustainability is of paramount importance to modern consumers and is here to stay.

**DOUBLE-DIGIT  
GROWTH IS  
EXPECTED FROM  
THE SPORT  
APPAREL  
BUSINESS**

The Underwear business has remained stable for the past five years and although its share of total sales has experienced a noteworthy decline during the period, the sales in absolute terms has been fairly unchanged. Analyst Group foresees that this pattern will persist in the future, allowing the Company to maintain its market leader position. The Sports Apparel business is, however, expected to exhibit a double-digit growth in coming years as a result of an enhanced category move among consumers and by being one of the Company's most important growth areas, the lion share of the Groups OPEX- and CAPEX-investments are expected to be allocated within this business segment. The growth in Other, e.g. bags and footwear, are anticipated to showcase a mid single-digit growth during the forecast period.

### Germany and the US Will Be Two Markets of High Importance Going Forward

Germany is expected to be the fastest growing market during the forecast period, supported by increased directed market activities in the country and intensified collaborations with the German E-tailer Zalando. This collaboration with Zalando is set to amplify the brand's visibility and customer reach in Germany, leveraging the E-commerce giant's expansive user base and robust distribution network.

**MARKETS IN  
FOCUS  
COMING YEARS**

Björn Borg made its market introduction in the US market a few years ago through Amazon.com, establishing its own brand page. While the Company currently focuses on distributing its sports apparel and underwear offerings, it's worth noting that the US sales only constitute a small portion of the Group's geographic sales today. The US market has remained somewhat inconspicuous as it has been grouped together with other smaller markets, including Switzerland, Slovenia, France, and Canada. Nonetheless, the United States is poised to become a key focal point for the Group in the coming years, representing an immense sales opportunity. However, it is important to recognize that the competitive landscape in the US market is exceedingly fierce. This landscape is largely dominated by well-known brands such as Adidas, Nike, and Lululemon, among others. To succeed and carve a significant market share in this highly competitive space, collaborating with the right type of influencer will be of great importance. The strategic selection of influencers can significantly impact brand visibility, consumer engagement, and drive strong growth in the US market. The sales development in the US has been, according to the Company, slower than expected up to this date, however, through increased sales efforts in the region, Analyst Group estimates a strong growth going forward, although from lower levels.





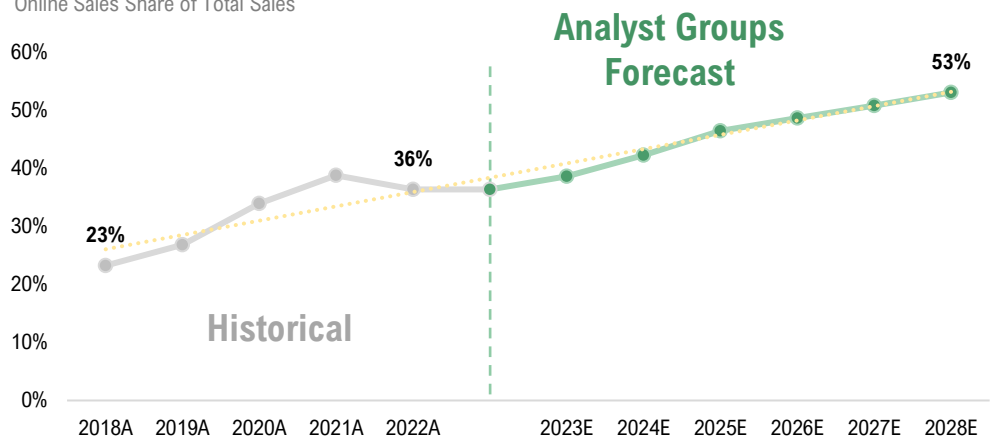
## Own E-commerce is Poised to Grow Strongly in Coming Years

With increased sales efforts invested in digital channels together with the underlying structural trend towards increased usage and demand for E-commerce, Analyst Group estimate that Björn Borg's online sales share will rise above the 50%-mark in 2027. This development is expected to be supported by an increase in presence in the German market through Zalando and the Company's own E-commerce, with the latter contributing with the strongest growth amongst these channels.

### Structural Tailwinds Within E-Commerce and Intensified Collaboration with Zalando is Anticipated to Drive an Increased Online Sales Share for Björn Borg.

Online Sales Share of Total Sales

Online Sales Share  
2018A-2028E



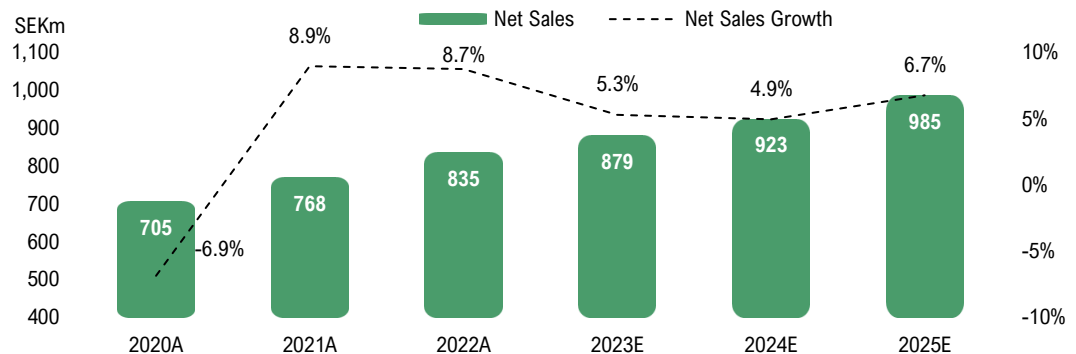
Source: Björn Borg and Analyst Group

Despite a slowing economy, a high inflation that lowers the household's disposable income, rising interest rates, decreasing consumer confidence, and increase geopolitical worries, Björn Borg has delivered further growth during 2023, even though the organic sales growth was negative in Q2-23 (-1.9%). Hence, Björn Borg has not been impacted to any large extent by the worsening economic climate as of now, which illustrates not only the strength of the brand but also indicates that consumers still wants to consume products that are associated with better health. However, abovementioned factors could hamper sales volumes going forward and are risks to consider. For the year 2023, Analyst Group estimates a net sales growth of 5.3%, resulting in net sales of SEK 879.2m. In 2024, Björn Borg is estimated to demonstrate a net sales growth of 4.9%, primarily driven by the Sport Apparel Business and increased market shares in the German and the US markets. However, this progress is expected to be somewhat restrained by the prevailing uncertain macro environment, encompassing factors such as consumer spending, interest rates, high inflation, and geopolitical uncertainties, among others. Despite these challenges, the growth is estimated to reaccelerate during 2025, fueled by an enhanced macroeconomic landscape, which Analyst Group anticipates. For the explicit forecast period, 2022-2025, Analyst Group has estimated an annual net sales CAGR of 5.7%. Below, our net sales projections to 2025 are displayed, with further details on revenue mix, channel mix, and sales geographics on page 19.

4.9%  
NET SALES  
GROWTH (2024E)

### Björn Borg has Shown Resilience in a Challenging Environment and Analyst Group Believes that the Company is Well-Positioned to Grow Sales with a CAGR of 5.7% during 2023-2025.

Net Sales and Net Sales Growth



Source: Analyst Group



## Gross Expenses

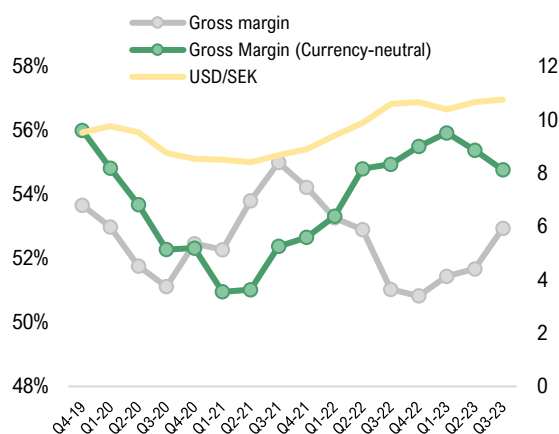
The gross expenses are constituting for the majority of Björn Borg's total cost structure on an operational basis, and primarily consists of all costs directly associated with producing and delivering the Company's products, such as raw material, labor costs, and manufacturing overheads, but also shipping and freight costs. The gross margin is therefore sensitive to changes in these inputs, as e.g. an increase in shipping and freight costs has a direct impact on the gross expenses, which was the case during 2022 when fuel prices increased rapidly, resulting in higher shipping costs. Furthermore, the gross margin is significantly influenced by currency exchange rates. Given that Björn Borg primarily conducts its product sales in SEK and EUR, while the majority of purchases are made in USD, and to some extent in EUR, the strength or weakness of these currencies can have a profound impact on profit margins.

Specifically, when the USD weakens against the SEK, it tends to have a favorable effect on margins, boosting profitability. Conversely, a stronger USD relative to SEK has the opposite effect, exerting downward pressure on margins. Similarly, when the EUR weakens against the SEK, it can have an adverse impact on margins, and vice versa.

However, these events are tied to the current macro environment and when stripped out of the equation, the gross margin is affected by sales volume, discounts, revenue mix, and channel mix. Since early 2021, the gross margin, currency-neutral, has been on an upward trend, with increased sales, reduced discounts to retailers, and increased share of own E-commerce being the primarily underlying factors behind this.

Given our estimates on sales, revenue mix, and channel mix, Analyst Group sees room for additional improvements on the gross margin aspect, supported by increased sales, higher share of the business coming from Own E-commerce and E-tailers, and continued reduced discount to retailers. However, Analyst Group estimates that the Sports Apparel business is of lower gross margin than the Underwear business, with lower sales volume being one explanation behind that. This is expected to suppress the gross margin improvement somewhat in the short-term, however, as the Sport Apparel business scales up further, we see a higher underlying profitability in the Sports Apparel business going forward, and ultimately contribute to a higher overall gross margin for the Group. In 2023, we estimate a gross margin of 52.9%, and a currency-neutral gross margin of 54.2%. In 2025, we see a gross margin in the 55%-area, due to above-mention factors, however, in 2028, the gross margin is expected to reach 56.5% as the Sport Apparel grows in scale, together with an improved channel mix.

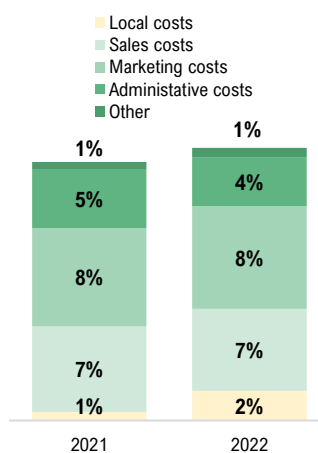
Currency-Effects, LTM (Gross Margin)



### Estimated Currency Impact

2022	Δ%	Sales	EBIT
USD/SEK 10%	+0.8%	+0.8%	-33.2%
USD/SEK 10%	-0.8%	-0.8%	+33.2%
EUR/SEK 10%	+4.4%	+4.4%	+24.5%
EUR/SEK 10%	-4.4%	-4.4%	-24.5%

### Other external costs - breakdown (% of sales)



## Operating Expenses: Other Operational Expenses

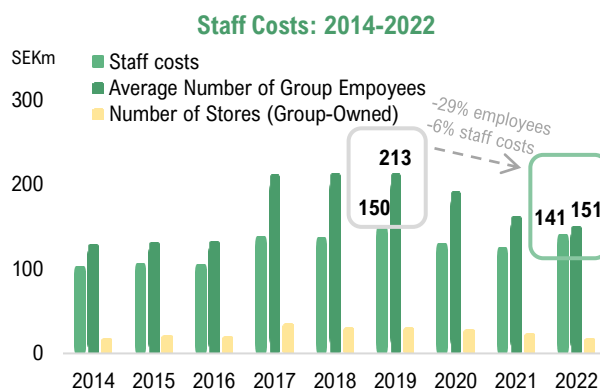
On an OPEX-level, other external costs constitutes the largest expense, amounting to SEK 181m. These costs encompass various costs related to premises, sales, marketing, administration, and other operational aspects, with marketing being the major cost driver. Between 2018-2022, Other external costs exhibited a consistent annual decrease of approx. 1.4%, while net sales experienced an annual growth of 4.1%. This divergence is largely attributed to a significant change in how premises costs were accounted for. The transition resulted in a decrease of approx. SEK 42.5m in premises costs between 2018-2019 as lease payments, with the adoption of the new accounting principle for leasing, no longer were treated as immediate expenses; instead, they were recognized as interest and amortization. Hence, the historical development in Other external expenses is not accompanied with any substantial cost efficiencies but rather attributed to changes in accounting principles, from IAS 17 Leases to IFRS 16 Leases more specially.

In addition to an overall increase in Other operational costs, in SEKm, as Björn Borg grow sales, Analyst Group anticipates that there will be ongoing growth in marketing activities to facilitate further expansion, particularly in Björn Borg's own E-commerce segment, as well as in the US and Germany markets. During 2021 and 2022, the marketing expenses accounted for an average of 8% of sales. Analyst Group predicts that this figure is set to experience a slight uptick over the next two to three years. Subsequently, it is expected to revert to the 8% threshold. This sustained investment in marketing reflects the Company's commitment to expanding its presence and customer base while maintaining cost-effectiveness.

### Operating Expenses: Staff Costs

In 2022, staff costs accounted for approx. 17% of total net sales, totaling around SEK 141m, representing a slight decline when compared to historical years (~19-20% of net sales). In 2019, the year before the COVID-19 pandemic, the Company had an average number of employees of 213. However, in response to the pandemic's impact, Björn Borg reduced its headquarters staff by approx. 20 individuals during 2020. This, coupled with the Company's overarching strategy to close unprofitable stores, led to a significant reduction in the number of employees and at the end of 2022, the Group had 151 employees. The accompanying graph below illustrates the trend in staff costs, number of employees, and number of Group-Owned stores, revealing a clear correlation between 2014-2019.

The reason why the decrease in headcount since 2019 has not been fully reflected in the staff costs is primarily attributed to the incentive plan that was initiated in 2019, and concluded in 2022, as well as severance pay in conjunction with lay-offs. The incentive plan was targeted at the Company's management and entailed a variable cash remuneration based on the share price of Björn Borg. By the end of 2022, the Company had recorded a cost of SEK 13.8m associated with this plan, which subsequently contributed to the increase in staff costs.



Looking ahead, with a higher proportion of net sales anticipated to originate from online channels, particularly through Björn Borg's own E-commerce platform, Analyst Group expect Björn Borg to achieve more with fewer resources, as E-commerce provides a broader reach and sales opportunity when compared to physical stores. However, as E-commerce sales continue to scale, additional staff and key competences are expected to be required. Therefore, considering further closures of own concept stores are expected to materialize and no additional effects of any incentive plans, Analyst Group estimates that staff costs will experience a CAGR of 1.8 % during the explicit forecast period, representing a slower pace compared to net sales.

### CAPEX and D&A

As a result of previous mentioned transition in accounting principles regarding lease payments for premises, Björn Borg has experienced a substantial increase in D&A expenses, from SEK 9m in 2018, to SEK 35m in 2022. This increase is primarily associated with the balance sheet item *Right-of-Use Assets (ROU)*, representing the right to use the asset (premises in this case) for the duration of the lease term. Simultaneously, a corresponding lease liability is recorded to account for the Company's obligation to make lease payments over the lease term. In 2019, ROU-assets accounted for SEK 131m on the Company's balance sheet and are subject to amortization over the combined lease term, considering any additional usufruct rights and any renegotiated or terminated contracts. Additionally, Björn Borg leases retail premises, vehicles, and office equipment's, each with varying maturities, all of which contribute to the overall D&A expense. From 2019 to 2022, owing to additional usufruct rights, terminated and renegotiated contracts, and the differing maturities of leased assets, the annual amortization linked to leasing has shown a decreasing trend. Analyst Group anticipate this trend to persist moving ahead.

Between 2019-2022, amortization has accounted for a substantial portion of the total D&A. However, Analyst Group foresees that, over time, the contributions of depreciation and amortization to the total D&A will become more balanced as Björn Borg continue to amortize on the ROU-assets, while continuing making new investments in PP&E, technology, and licenses.

During 2018-2019, Björn Borg made significant investments in the E-commerce platform, a new enterprise information system (EIS), existing stores, and a centralized warehouse. Hence, Analyst Group does not anticipate substantial CAPEX moving forward and estimates a somewhat lower CAPEX as a percentage of net sales during the forecast period (~1.15%), compared to the mean level of 1.4% during 2018-2022. Consequently, considering the reduced levels of amortization and expected decrease in CAPEX, D&A expenses are projected to exhibit a slight annual decrease during the forecast period.





## Working Capital

Operating as a sports fashion brand within the clothing industry, Björn Borg has a significant portion of its working capital tied up in inventory, accounts receivable, and accounts payable. Given the fast-paced and seasonal nature of the fashion industry, effective inventory management is of paramount importance. Between 2018 and 2022, Björn Borg has maintained a relatively steady inventory turnover rate<sup>1</sup> at approx. 2.5. This means that the Company's inventory is sold and replenished about 2.5 times a year. This figure, while indicating a healthy pace of inventory turnover, is somewhat lower than the general figure within the broader apparel industry, where inventory turnovers usually range between 4 and 5. In the realm of retail, it is not uncommon to witness even higher turnover rates, with reports from CSIMarket (2023) suggesting figures nearing 11.

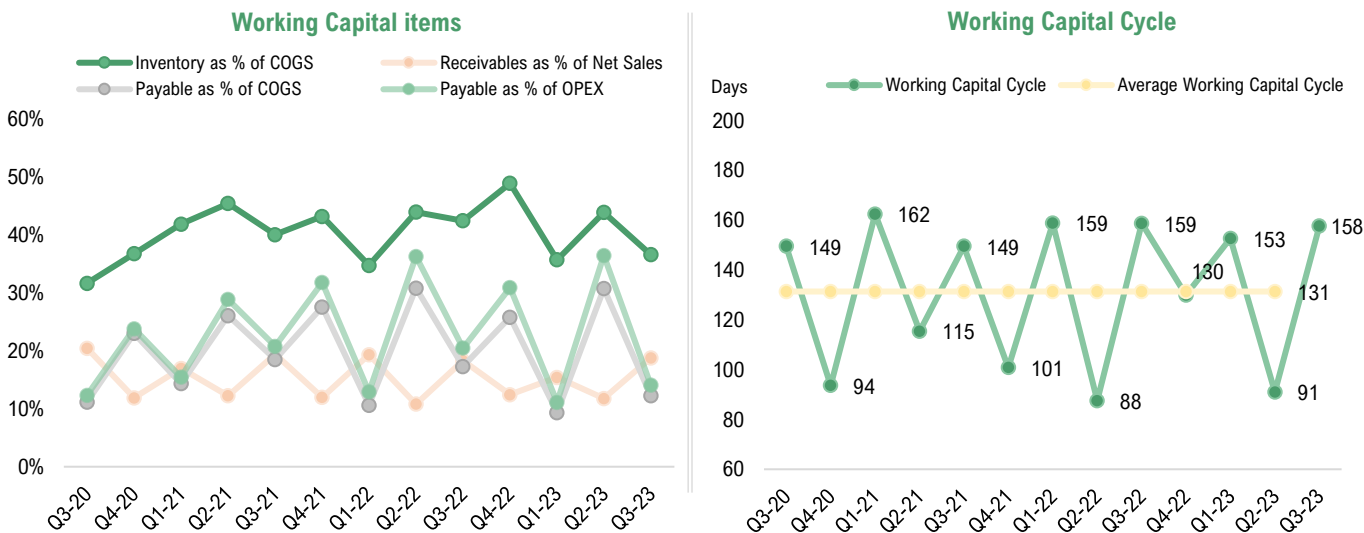
However, when considering sports fashion brands such as Lululemon, Adidas, Nike, and Under Armour<sup>2</sup> over the period from 2016 to 2022, Analyst Group find that their average inventory turnover hovers around 2.5 to 3.0. Consequently, when comparing Björn Borg's inventory turnover with its counterparts in the sports fashion industry, it becomes evident that the Company's turnover rate is in line with industry standards, affirming its sound management of inventory in this dynamic market. However, during 2020-2022, Björn Borg's inventory levels increased over 50%, with net sales increasing approx. 18% during the same period. This dynamic is a result of a new emerging trend, with Björn Borg receiving lower base orders from wholesale partners, even though retailers more or less have the same sales budgets, meaning that the Company need to store a larger portion of retailers purchase orders in its own inventory. This, in turn, has on one hand tied up higher levels of working capital, but on the other hand strengthened the underlying profitability as the retailers has, consequently, been receiving lower quantity discounts.

Furthermore, a strong growth in own E-commerce and in countries like the US will require a higher capital commitment, as Björn Borg needs to be able to deliver on the increased demand for various products and collections, resulting in increased inventory levels, which is a future development that Analyst Group has incorporated into the projections of the working capital.

Björn Borg has a distinct seasonal pattern in its working capital, where the Company tends to showcase the strongest cash flows in the second and fourth quarter. On average, Björn Borg has a working capital cycle, also referred to as the *cash cycle*, of 130-131 days when studying at a quarterly basis (Q3-20 to Q3-23) and on an annual basis (2018-2022). In 2022, the corresponding figure amounted to 130 days, representing an improvement from 2018, when the working capital cycle amounted to 190 days. Compared to the same sports fashion brand as mentioned above, its evident that Björn Borg has a slightly longer cycle than the mean value of approx. 110 days. Going forward, Analyst Group foresees a somewhat higher working capital cycle for the Company, considering the estimated expansion within its own E-commerce.

### Björn Borg has Improved its Working Capital Cycle in Recent Years, Yet It Still Surpasses Other sports fashion Brands.

Working Capital items and Working Capital Cycle



Source: Björn Borg and Analyst Group

### Margin Expansion is Anticipated to be Fueled by an Improved Revenue and Channel Mix

SEK 73m  
OPERATING  
PROFIT  
(2022)

SEK 139m  
OPERATING  
PROFIT  
(2025E)

In 2022, Björn Borg reported an operating profit of SEK 73m, corresponding to an operating margin of 8.8%. Currency-Neutral, and adjusted for non-recurring costs<sup>1</sup>, the operating profit for the full year 2022 would have landed on approx. SEK 120m, translating to an operating margin of 13.7%, representing the highest operating margin since 2014. This improvement is a result of increased economies of scale, reduction in workforce, as well as an improved revenue and channel mix. For the fiscal year 2023, Analyst Group estimates an EBIT of SEK 88m, corresponding to an EBIT margin of 10%, which signifies a robust 19.5% EBIT growth Y-Y. However, on a currency-neutral basis, the estimated EBIT stands at SEK 99m, corresponding to an EBIT margin of 11.1%. This, in turn, marks a decline of 17.5% Y-Y, primarily ascribed to factors such as a lower estimated currency-neutral gross margin and an increase in other external costs as a percentage of net sales. The lower estimated currency-neutral gross margin is attributed to e.g. an increase share of the Sport Apparel business and diminished sales volumes from distributors.

As Björn Borg increase the share of Sport Apparel of total net sales, the margin profile for the segment is expected to improve. This, combined with an estimated increase in online sales, particularly through own E-commerce and E-tailers as well as further reduced discounts to wholesale, is projected to contribute significantly to the operating margin's improvement in the long perspective. Consequently, Analyst Group anticipates that Björn Borg will deliver an operating margin surpassing 17% in 2028. However, for the year 2025, the operating margin is projected to be 14.1%, driven by increased sales, an improved margin profile within the Sports Apparel business, and a continued focus on operational efficacy.

In below table we have summarized our projections to 2025, with graphs and illustrations on revenue mix, channel mix, profitability, cost structure, and sales geographics during the explicit forecast period 2023-2025 are presented on the next page.

Base scenario SEKm	2020A	2021A	2022A	2023E	2024E	2025E
<i>Net Sales Growth</i>	-6.9%	8.9%	8.7%	5.3%	4.9%	6.7%
Net Sales	705	768	835	879	923	985
Other Operating Income	29	28	26	13	0	0
<b>Total Sales</b>	<b>734</b>	<b>796</b>	<b>861</b>	<b>893</b>	<b>923</b>	<b>985</b>
COGS	-335	-352	-411	-414	-418	-438
COGS (Currency-Neutral)	-339	-362	-372	-403	-418	-438
<b>Gross Profit</b>	<b>399</b>	<b>444</b>	<b>450</b>	<b>478</b>	<b>505</b>	<b>547</b>
<b>Gross Profit (Currency-Neutral)</b>	<b>395</b>	<b>434</b>	<b>489</b>	<b>490</b>	<b>505</b>	<b>547</b>
Gross Margin (adj.)	52.5%	54.2%	50.8%	52.9%	54.7%	55.5%
Gross Margin (adj. & Currency-Neutral) <sup>2</sup>	51.9%	52.9%	55.5%	54.2%	54.7%	55.5%
Other External Expenses	-159	-158	-181	-211	-216	-228
Staff Costs	-130	-126	-141	-136	-140	-149
Other Operating Expenses	-36	-21	-20	-12	0	0
SG&A	-325	-305	-342	-359	-356	-377
<b>EBITDA</b>	<b>74</b>	<b>139</b>	<b>108</b>	<b>119</b>	<b>149</b>	<b>169</b>
<b>EBITDA (Currency-Neutral)</b>	<b>70</b>	<b>129</b>	<b>147</b>	<b>131</b>	<b>149</b>	<b>169</b>
EBITDA-margin	10.5%	18.1%	12.9%	13.6%	16.1%	17.2%
EBITDA -margin (adj. & Currency-Neutral) <sup>2</sup>	11.0%	15.9%	16.9%	14.7%	16.1%	17.2%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-32	-30	-31
<b>EBIT</b>	<b>33</b>	<b>104</b>	<b>73</b>	<b>88</b>	<b>118</b>	<b>139</b>
<b>EBIT (Currency-Neutral)</b>	<b>29</b>	<b>94</b>	<b>120</b>	<b>99</b>	<b>118</b>	<b>139</b>
EBIT-margin	4.7%	13.5%	8.8%	10.0%	12.8%	14.1%
EBIT-margin (adj. & Currency-Neutral) <sup>2</sup>	5.2%	11.3%	13.7%	11.1%	12.8%	14.1%
Financial items, net	-16	3	-2	-3	-6	-4
<b>EBT</b>	<b>17</b>	<b>107</b>	<b>71</b>	<b>85</b>	<b>112</b>	<b>135</b>
Tax	1	-21	-20	-18	-23	-28
<b>Net profit</b>	<b>18</b>	<b>86</b>	<b>51</b>	<b>67</b>	<b>89</b>	<b>107</b>
Net margin	-1.5%	7.5%	3.0%	6.2%	9.6%	10.9%

<sup>1</sup>Non-recurring costs:

- SEK 13.8m in incentive program
- SEK 7.2m repayments of covid support received 2020-2021

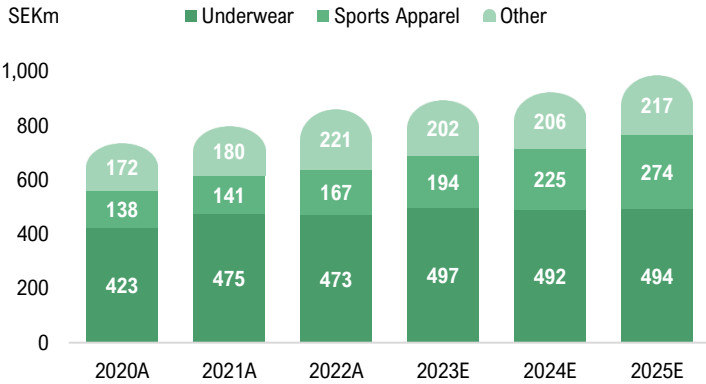
<sup>2</sup> Gross Margin: Adjusted for Other Operating Income and Currency-Effects.

EBITDA/EBIT: Adjusted for Other Operating Income and Other Operating Expenses and Currency-Effects.

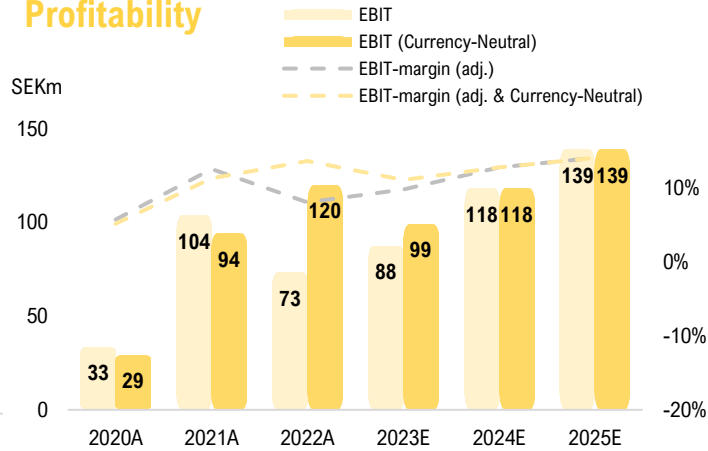


In below graph and illustrations, we have summarized our projections for the revenue mix. Profitability, cost structure, sales geographics, and sales channel mix during the explicit forecast period 2023-2025.

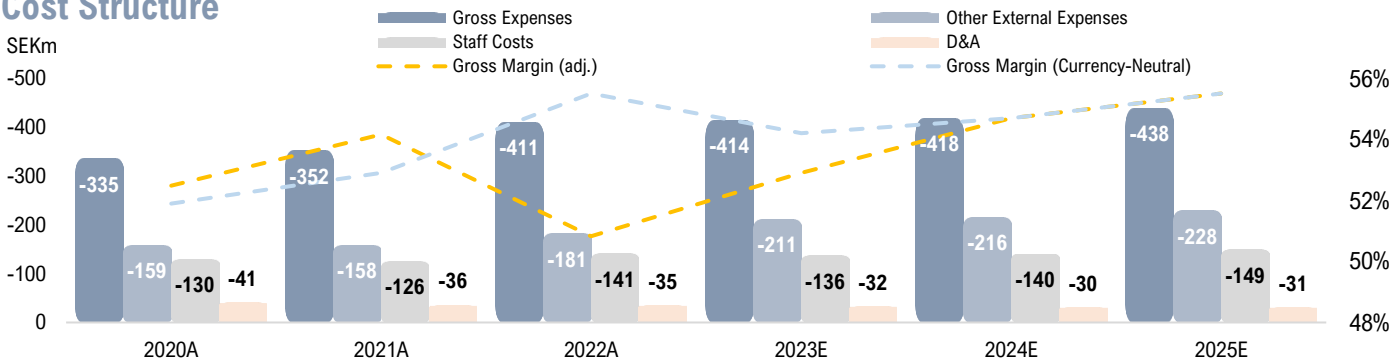
## Revenue Mix



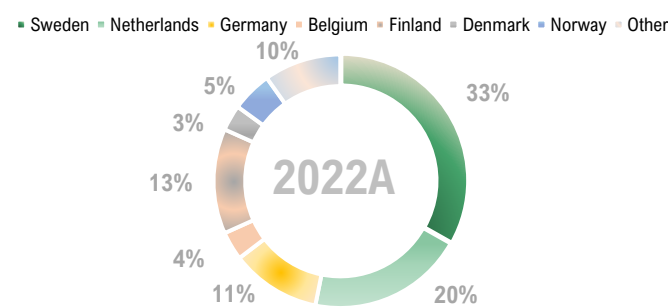
## Profitability



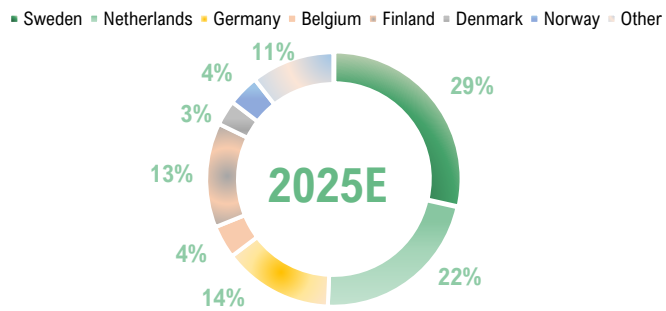
## Cost Structure



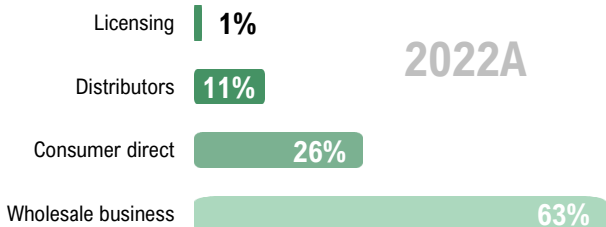
## Sales Geographics as a % of sales



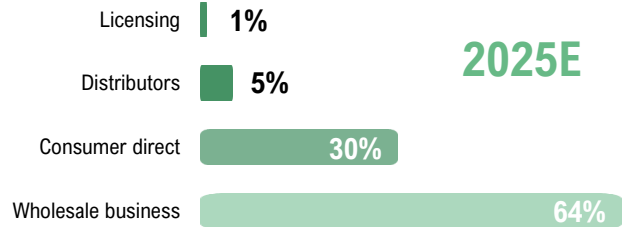
## Sales Geographics as a % of sales



## Channel Mix as a % of total sales



## Channel Mix as a % of total sales



### Valuation: Selection of Peers

To derive a company valuation for Björn Borg, Analyst Group has examined a wide range of publicly listed brand apparel companies. The peer selection encompasses companies with varying degree of focus, ranging from those heavily involved in sports apparel to luxurious brand and retail. To further enhance the valuation perspective, particularly concerning Björn Borg's sports apparel segment, Analyst Group has incorporated insights from a selection of prominent Swedish unlisted sportswear companies.

### Sports Apparel Brands

The Sports Apparel peer group consists of a selection of well-known brands; Lululemon, Adidas, Nike, Under Armour, Puma, Fila, and Columbia Sportswear. The average and median Market Capitalization of these companies are significantly larger than that of Björn Borg, however, as these brands compete with Björn Borg's target audience, the comparison remains relevant. Furthermore, they have similar financial characteristics with regards to historical growth, growth prospects, profitability, operational risk, debt position, and capital commitment. Analyst Group will assign greater emphasis and weight on the sport apparel peer group when valuing Björn Borg, as sport apparel constitutes the Company's primary business focus and is anticipated to capture additional market shares during the forecast period. Below, we have highlighted key ratios with regards to historical growth, margins, debt position, capital commitment, and valuation multiples (LTM).

While it is apparent that Björn Borg exhibits similar figures in terms of LTM EBIT growth, gross margin, EBIT margin, Equity Ratio, Net Debt/EBITDA, debt ratio, and asset turnover, its sales growth has fallen short when compared to the mean and median levels of its peers. In the following pages, Analyst Group will delve deeper into how Björn Borg is expected to perform during the forecast period compared to its peers in order to derive a suitable valuation.



LTM	Björn Borg	Lululemon	Adidas	Nike	Under Armour	PUMA	FILA	Columbia Sportswear	Mean, peers	Median, peers
Net Sales Growth, 3Y	5.6%	26.2%	6.4%	4.9%	9.5%	19.0%	11.3%	12.9%	12.9%	11.3%
Net Sales Growth, Y-Y	6.8%	25.2%	2.0%	9.2%	2.6%	9.7%	5.0%	5.0%	8.4%	5.0%
EBIT Growth, 3Y	45.4%	32.0%	-45.5%	-5.7%	191.7%	39.6%	3.8%	41.5%	36.8%	32.0%
EBIT Growth, Y-Y	17.3%	28.2%	-91.2%	-6.8%	-18.5%	-14.3%	-19.8%	-13.6%	-19.4%	-14.3%
Gross Margin	52.9%	56.7%	46.2%	43.5%	45.4%	45.6%	47.5%	49.6%	47.8%	46.2%
EBIT Margin	10.1%	22.1%	0.6%	11.3%	5.1%	6.4%	8.7%	10.8%	9.3%	8.7%
Equity Ratio	51.4%	59.0%	25.0%	38.0%	44.0%	40.0%	51.9%	68.0%	46.6%	44.0%
Net Debt/EBITDA	1.5	0.0	3.8	0.5	1.8	1.5	1.7	0.4	1.4	1.5
Debt Ratio	0.9	0.7	3.0	1.6	1.3	1.5	0.5	0.5	1.3	1.3
Asset Turnover	1.4	1.5	1.1	1.4	1.2	1.3	0.8	1.3	1.2	1.3
Days Working Capital	24.5	34.3	10.5	49.6	58.1	53.1	62.9	115.9	54.9	53.1
EV/EBITDA	10.0	23.5	29.8	24.9	9.6	14.8	7.6	9.6	17.1	14.8
EV/EBIT	13.8	27.5	268.6	28.6	14.2	15.7	10.2	12.7	53.9	15.7
EV/S	1.4	6.1	1.7	3.2	0.7	1.0	0.9	1.4	2.1	1.4
Market Cap (SEKm)	1,071	563,232	366,195	1,734,435	35,898	96,529	19,526	49,047	409,266	96,529



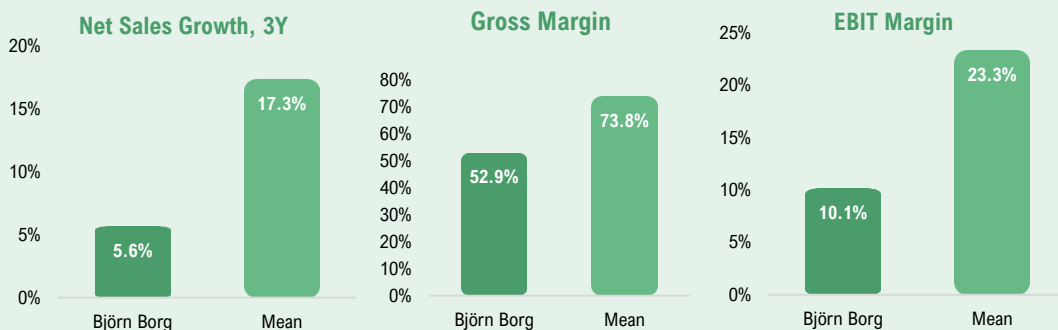
## Luxury Brands

To provide some insight into the value of a strong brand, a wide range of luxurious brand companies have been selected, encompasses of Moët Hennessy Louis Vuitton (LVMH), Kering, Moncler, Burberry Tapestry, Prada, and Ralph Lauren. Luxury brands are known for their high prices, exclusivity, superior quality, rich heritage, strong brand identity, pricing power, and profitability. They maintain an aura of desirability through limited production, limited editions, and exceptional marketing. Luxury brands offer an exclusive customer experience, innovative design, and rarity in their products, making them highly sought-after and often enjoying higher profit margins. In below illustrations, it becomes evident that the abovementioned luxury brands has, in comparison with Björn Borg, a significant higher profitability (gross margin & EBIT margin) due to pricing power and exclusivity, however, according to Analyst Group, it demonstrates at the same time the possibilities for margin expansion with a strengthening brand. A luxury brand, as well as a strong brand, also enables long-term growth prospects. Many of aforementioned companies have exhibit a 10Y CAGR of approx. 10%, as the customer base typically comprising wealthy and loyal brand customers, providing a high degree of resilience over an economic cycle.



**BJÖRN BORG**

vs  
**Luxury Brand  
(Mean)**



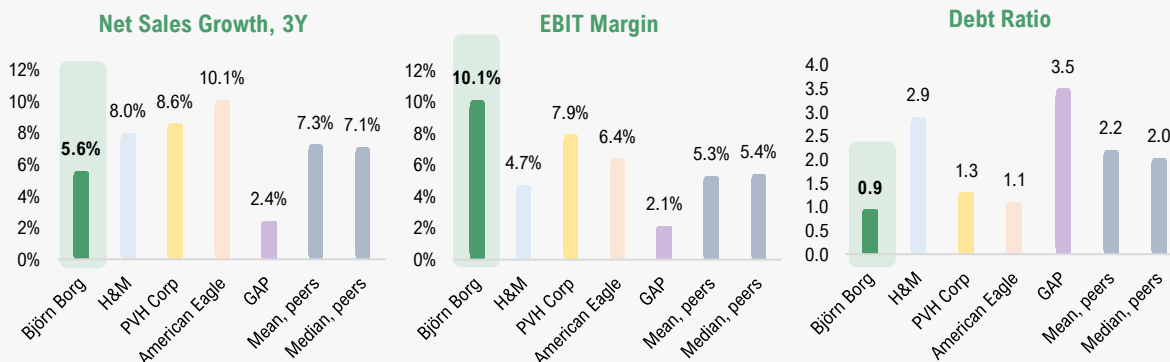
## Retail

In this peer group, Analyst Group has studied a few retail companies; from the Swedish international clothing retailer Hennes & Mauritz, to the American clothing and accessories retailer American Eagle Outfitter, to PVH Corp, with brands such as Calvin Klein and Tommy Hilfiger constituting over 90% of their total revenue, and lastly, the global retailer Gap Inc. These companies are, in general, of lower gross and operating margins due to its business models, weaker brand, and hence, lower pricing power. Further, they have exhibited a low, but steady, revenue growth recent years, have higher debt positions, stronger asset and inventory turnover, when comparing to the more luxurious brands. These retail companies tend to have a higher physical presence, although E-commerce is gaining more focus from the operations given the structural trends that was accelerated after the pandemic. However, as of today, physical stores constitute the majority of its sales channels, and their online share is, on average, lower than that of Björn Borg, varying between 20-38%. PVH Corp is an especially interesting peer as one of its iconic brands – Calvin Klein – is one of the most prominent competitors for the underwear business of Björn Borg, particularly on the Swedish market.



**BJÖRN BORG**

vs  
**Retail sector**



## Unlisted Peers

Stronger AB, Aim Apparel AB, and ICANIWILL AB, are the names of some unlisted Swedish sport apparel brand companies that has established themselves on the Swedish market in recent years. These companies has several things in common; they all have experienced an unprecedented sales growth while showing profitability, prioritized social media channels and collaborations with influential individuals to spread their message to build the brand, and focused on developing sustainable apparels with high quality, and an appealing design.

### STRONGER

73%

CAGR 2016-2022  
(Revenue)

~770K

Stronger AB	Latest Valuation	1.5 SEKb	Year 2021	EV/EBIT 150.6x	EV/Sales 3.9x
-------------	------------------	----------	-----------	----------------	---------------

Stronger AB is a renowned activewear and lifestyle brand known for its distinctive designs and sustainable ethos. Founded in 2013, Stronger AB has rapidly gained popularity for its high-quality fitness apparel, including leggings, sports bras, and accessories. The company focuses on empowering individuals to live active and confident lives. With a strong online presence and a commitment to eco-friendly practices, Stronger AB combines fashion with sustainability, making it a notable player in the activewear industry.

### aimn

100%

CAGR 2016-2022  
(Revenue)

~330K

Aim Apparel AB	Latest Valuation	1.5 SEKb	Year 2021	EV/EBIT 22.1x	EV/Sales 3.5x
----------------	------------------	----------	-----------	---------------	---------------

AIM Apparel AB, operating under the brand AIM'N, is a Swedish company specializing in activewear and athleisure fashion. Established in 2013, AIM'N has carved a niche for itself by offering stylish and functional workout clothing and accessories, including leggings, sports bras, and more. The company's mission is to inspire and empower women to lead active and healthy lifestyles. AIM'N has successfully leveraged E-commerce and social media to connect with a global customer base. With a focus on trendy designs and a commitment to encouraging active living, AIM'N has become a prominent name in the activewear industry.

### ICANIWILL

93%

CAGR 2015-2022  
(Revenue)

~300K

ICANIWILL AB	Latest Valuation	N/A	N/A	N/A	N/A
--------------	------------------	-----	-----	-----	-----

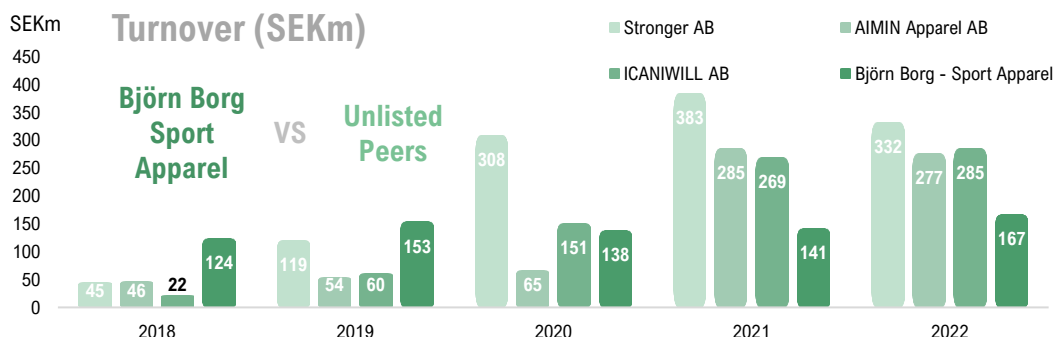
ICANIWILL AB, a Swedish company, is a prominent player in the fitness and activewear industry. Founded with a vision of promoting motivation and confidence through fitness, ICANIWILL offers a range of high-quality workout apparel and accessories. Since its inception in 2012, the brand has gained recognition for its commitment to helping individuals achieve their fitness goals. With a strong online presence and a focus on community engagement, ICANIWILL encourages a healthy and active lifestyle. The company's dedication to customer satisfaction and empowerment has positioned it as a leading name in the activewear market.

## The Unlisted Peers has Experienced an Unprecedented Sales Growth in Recent Years

In 2018, Björn Borg's Sports Apparel business reported a turnover of approx. SEK 124m, while its unlisted peers still were in their early stages, generating revenues in the SEK 20-50m range. The subsequent explosive growth of these companies can be attributed to their successful execution in leveraging social media channels to build attractive brands that resonate with consumers. By 2022, these peer companies had achieved significantly higher turnovers than Björn Borg's Sports Apparel business. However, due to the substantial investments in digital marketing on social media platforms undertaken between 2021 and 2023, Björn Borg has experienced a strong growth within the Sports Apparel business. These increased investments also lays the foundation for further strong growth going forward.

Profitability	EBIT margin (2022)	EBIT margin (Mean <sup>1</sup> )
Stronger	-6,1%	14,9%
Aimn	0,5%	22,9%
ICANIWILL	6,4%	7,6%

<sup>1</sup>Since each company's inception.



Source: Björn Borg and Allabolag

### BJÖRN BORG

~160K

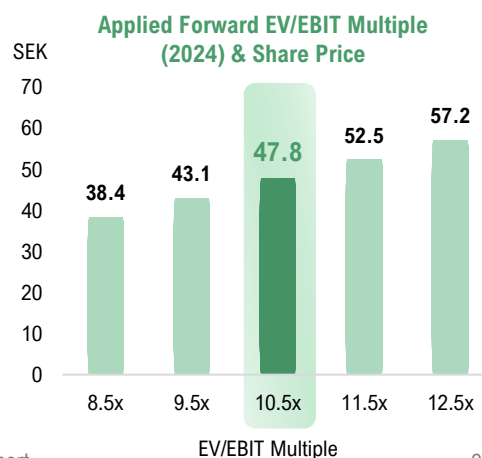
## Valuation: All Put Together

Company	Equity	Enterprise	Revenue						EBIT		EBIT-margin		Gross Margin	
	Value	Value	EV/EBITDA			EV/EBIT			CAGR	CAGR	2023E	2024E	2023E	2024E
	(SEKm)	(SEKm)	2023E	2024E	2025E	2023E	2024E	2025E	2023-2025E	2023-2025E				
<b>Sports Apparel</b>														
Lululemon	563,232	564,143	21.0x	18.4x	16.2x	24.4x	21.4x	18.6x	14.9%	17.0%	22.7%	22.9%	58.1%	58.2%
Adidas	366,195	421,237	23.9x	16.0x	10.7x	89.6x	36.1x	19.2x	4.2%	42.0%	1.9%	4.2%	45.4%	48.4%
Nike	1,734,435	1,770,305	22.4x	19.3x	17.1x	24.9x	21.4x	18.8x	6.4%	14.5%	12.6%	13.7%	45.0%	46.0%
Under Armour	35,898	44,538	9.1x	6.7x	6.8x	13.3x	11.3x	9.5x	2.3%	13.5%	5.5%	6.2%	45.5%	46.1%
PUMA	96,529	116,813	10.2x	8.5x	7.5x	16.2x	12.7x	10.8x	7.6%	13.7%	7.0%	8.3%	46.0%	47.1%
FILA	19,526	26,385	6.9x	5.0x	4.7x	9.3x	6.5x	6.0x	1.1%	7.8%	8.5%	11.7%	48.3%	49.7%
Columbia Sportswear	49,047	50,964	10.2x	9.9x	9.1x	13.7x	13.2x	11.4x	3.2%	-0.6%	10.0%	10.3%	49.7%	50.1%
<b>Luxury Brands</b>														
LVMH	4,071,781	4,393,127	13.1x	12.1x	11.1x	16.7x	15.3x	14.0x	8.1%	9.0%	26.5%	26.9%	68.6%	68.6%
Kering	565,774	668,057	8.7x	8.1x	7.4x	11.6x	10.8x	9.8x	3.7%	2.1%	25.4%	25.6%	75.0%	74.9%
Moncler	159,297	163,798	11.9x	10.8x	9.7x	16.1x	14.5x	13.0x	11.5%	12.2%	30.0%	30.1%	76.9%	77.0%
Burberry	72,988	84,637	6.7x	6.3x	5.9x	10.7x	9.8x	9.0x	5.0%	4.0%	18.8%	19.4%	70.0%	70.1%
Tapestry	73,059	100,520	6.7x	6.3x	5.9x	7.7x	7.3x	6.8x	3.1%	5.9%	18.3%	18.7%	72.2%	72.2%
Prada	156,024	177,962	8.8x	8.2x	7.5x	15.1x	13.5x	12.1x	9.1%	14.8%	22.0%	n.a.	79.9%	79.6%
Ralph Lauren	82,619	96,481	8.8x	8.0x	7.4x	11.3x	10.2x	9.2x	3.8%	8.6%	12.2%	13.0%	66.0%	66.2%
<b>Retail</b>														
H&M	229,761	279,293	7.6x	6.5x	6.2x	19.4x	13.6x	12.2x	4.5%	47.4%	6.1%	8.3%	51.1%	52.5%
PVH Corp	53,025	89,320	6.9x	6.6x	6.2x	9.1x	8.6x	8.0x	3.7%	7.1%	9.9%	10.2%	57.9%	58.4%
American Eagle	40,093	51,827	8.4x	7.9x	7.6x	13.9x	13.3x	13.0x	3.0%	11.9%	6.8%	7.0%	38.5%	38.5%
GAP	53,548	97,997	10.7x	9.3x	8.6x	26.1x	19.4x	17.1x	-1.2%	23.5%	2.4%	3.2%	37.1%	37.5%
Maximum	4,071,781	4,393,127	23.9x	19.3x	17.1x	89.6x	36.1x	19.2x	14.9%	47.4%	30.0%	30.1%	79.9%	79.6%
75th Percentile	332,087	385,751	11.6x	10.6x	9.6x	18.7x	15.1x	13.8x	7.3%	14.7%	21.2%	19.4%	69.6%	69.7%
<b>Median</b>	<b>89,574</b>	<b>108,666</b>	<b>9.0x</b>	<b>8.2x</b>	<b>7.5x</b>	<b>14.5x</b>	<b>13.3x</b>	<b>11.8x</b>	<b>4.0%</b>	<b>12.0%</b>	<b>11.1%</b>	<b>11.7%</b>	<b>54.5%</b>	<b>55.3%</b>
<b>Mean</b>	<b>467,935</b>	<b>510,967</b>	<b>11.2x</b>	<b>9.7x</b>	<b>8.6x</b>	<b>19.4x</b>	<b>14.4x</b>	<b>12.1x</b>	<b>5.2%</b>	<b>14.1%</b>	<b>13.7%</b>	<b>14.1%</b>	<b>57.3%</b>	<b>57.8%</b>
25th Percentile	53,156	85,808	7.8x	6.6x	6.4x	11.4x	10.4x	9.3x	3.2%	7.2%	6.9%	8.3%	45.6%	47.4%
Minimum	19,526	26,385	6.7x	5.0x	4.7x	7.7x	6.5x	6.0x	-1.2%	-0.6%	1.9%	3.2%	37.1%	37.5%
<b>Björn Borg</b>	<b>1,071</b>	<b>1,220</b>	<b>8.2x</b>	<b>7.2x</b>	<b>6.6x</b>	<b>13.9x</b>	<b>10.3x</b>	<b>8.8x</b>	<b>5.7%</b>	<b>23.8%</b>	<b>10.0%</b>	<b>12.8%</b>	<b>52.9%</b>	<b>54.7%</b>

Source: Tikr.com

Given Björn Borg's extensive history of being a profitable company, Analyst Group have based the valuation on the EV/EBIT multiple to derive a motivated value per share for Björn Borg. When studying the peer table above, it is evident that the Sport Apparel ("SA") and Luxury Brand ("LB") group share similar growth prospects during the explicit forecast period 2023-2025, approx. 4-6% per annum, while the Sport Apparel group is expected to, on average, experience a higher growth in EBIT (CAGR) during the period. However, the margin profile is substantially higher within the Luxury Brand group than the other peer groups. With the EBIT growth being the major factor driving the EV/EBIT multiple, it is not surprising that the Sports Apparel peer group trades at a higher average and median EV/EBIT multiple on FY2024 forecast when comparing to the Luxury Brands (SA mean: 17.5x, SA median: 13.2x & LB mean: 11.6x, LB median: 10.9x). In 2024, Analyst Group has estimated that the Sport Apparel business of Björn Borg will constitute approx. 24% of total net sales. Hence, we argue that Björn Borg do not earn an EV/EBIT multiple in the ballpark of peer companies such as Lululemon, who has a significant higher exposure to Sport Apparel, and a substantially higher EBIT margin. Noteworthy, while Björn Borg's projected EBIT growth outpaces the Sport Apparel peer group during the period 2023-2025 as shown in above table, the corresponding currency-neutral EBIT CAGR stands at 5.0%, given that the FY2022 EBIT was significantly impacted by currency headwinds.

Companies such as Adidas, Nike, and Puma has a great share of its sales within footwear, bags and other accessories, and when taken Björn Borg's business segment "Other" into account, the corresponding share increases to 46.7% in 2024. Still, the underwear business is expected to account for the rest of the sales in 2024, and when studying a company such as PVH Corp, who owns the brands Calvin Klein, it appears evident that a lower multiple is reasonable for the underwear business. Considering the fact that Björn Borg shares similar financial characteristics with the Sport Apparel group, has a significantly lower Market Cap, holds a relatively weaker international brand than most of the Sport Apparel peers, that approx. half of the revenue in 2024 is expected to come from the underwear business, and that the estimated revenue and EBIT growth are at a pace similar to the Sport Apparel group on average, Analyst Group argues that an EV/EBIT multiple of 10.5x on FY2024 estimates is reasonable. Given the applied multiple and estimated EBIT for 2024 of SEK 118m, coupled with the assumed capital structure at the end of 2024, a potential value of SEK 47.8 per share is derived.



## Regression Analysis: All Peers

Based on a conducted regression analysis using the peers' average EBIT margin for the years 2023-2025 as well as the estimated CAGR in EBIT during 2023-2025, we can statistically estimate an EV/S multiple and an EV/EBIT multiple for Björn Borg for the year 2023. According to the regression analysis with regards to all peers, Björn Borg should be valued at a forward EV/S multiple of 1.7x for the year 2023, equivalent to a share price of SEK 58.1. It is important to note that the regression analysis exclusively considers the EBIT margin, which, in this instance, serves as a gauge of the companies' ability to generate cash flow. While this is a significant driver of the EV/S multiple, it does not consider other critical aspects such as growth, risk, and capital commitment. Furthermore, the correlation shows a R-squared value ( $R^2$ ) of 0.73, which ultimately means that 73% of the variance in the dependent variable (EV/S) can be explained by the independent variable in this equation (EBIT margin).

The conducted regression analysis based on the EV/EBIT multiple as the depended variable and EBIT growth as the independent variable shows a lower statistically correlation, with  $R^2$  standing at 0.57. According to the regression, Björn Borg should trade at a forward EV/EBIT multiple of 24.5x on 2023 estimates and a share price of SEK 84.4, given the estimated CAGR in EBIT during 2023-2025 (23.8%). However, this figure is heavily affected by currencies in its base year (2022), and if the currency-neutral EBIT for 2022 (SEK 120m) is used instead, the corresponding CAGR in EBIT stands at 5.0%, implying a forward EV/EBIT multiple of 11.3x on 2023 estimates and a share price of SEK 38.4.

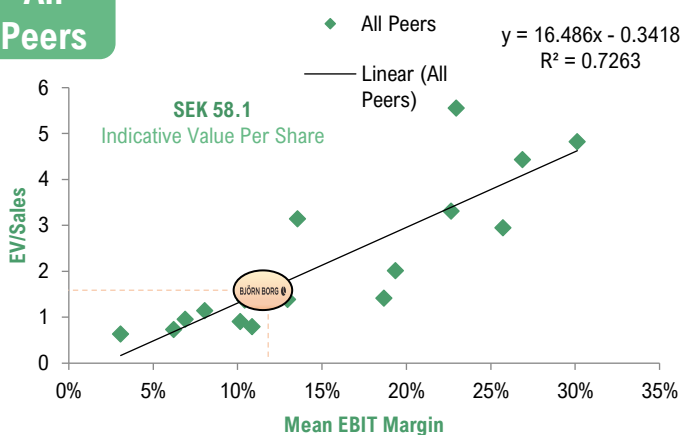
## Regression Analysis: Sports Apparel Peers

In order to see what multiples Björn Borg should trade at based on sales and EBIT when comparing to the Sport Apparel peer group, additional regression analysis has been conducted. First and foremost, the regression based on EBIT margin shows a higher  $R^2$  than the regression based on all peers (0.91 vs 0.73). According to the regression analysis, Björn Borg should trade at a forward EV/S multiple of 2.2x on 2023 estimates and a share price of SEK 76.2, and at a forward EV/EBIT multiple of 24.6x/13.4x on 2023 estimates and a share price of SEK 85.0 /SEK 45.9, given the same reasoning on EBIT as mentioned above.

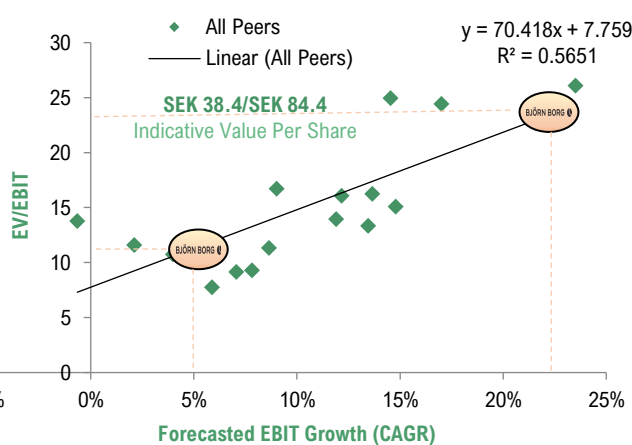
**The regression analysis has been employed to provide additional perspective but is not used to derive a valuation for Björn Borg.**

### All Peers

EV/S vs mean EBIT Margin 2023-2025

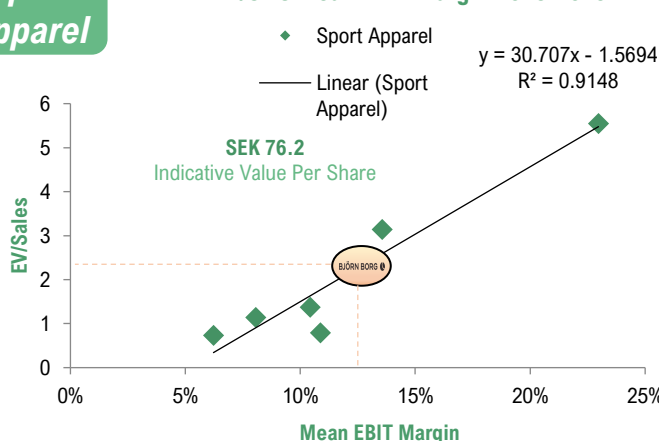


EV/EBIT vs Forecasted EBIT Growth 2023-2025

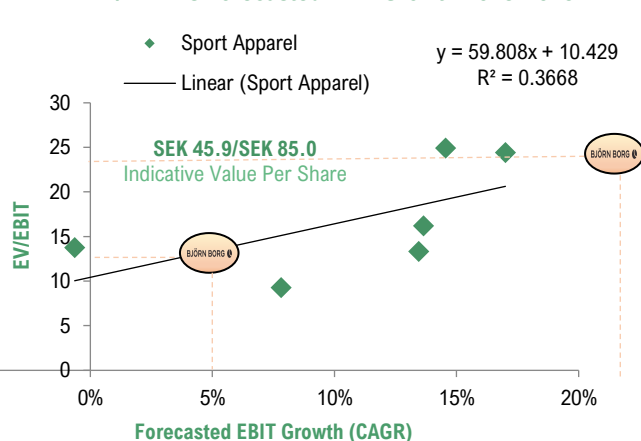


### Sport Apparel

EV/S vs Mean EBIT Margin 2023-2025



EV/EBIT vs Forecasted EBIT Growth 2023-2025





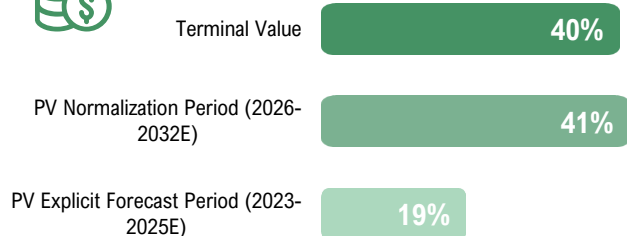
### Discounted Cash Flow Analysis (DCF)

We complement the relative valuation with a discounted cash flow analysis to provide additional insight on the valuation. Our DCF consists of an explicit forecast period up to 2025, a normalized period from 2026 to 2033<sup>1</sup>, and a terminal period. During the explicit forecast period, Björn Borg is estimated to achieve an organic CAGR in net revenue of 5.7%. Furthermore, the Company is expected to increase the EBIT margin from 10%<sup>2</sup> in 2023 to 14.1% by 2025. During the normalization period, Björn Borg is projected to exhibit a CAGR in net revenue of approx. 4%, and in the terminal period, we have applied a growth rate of 2%. The EBIT margin is estimated to peak at 17.2% in 2028, before contracting slightly and settling at 14% in the terminal period due to some price pressure from competitors.

CAPEX investments as a percentage of net revenue are anticipated to remain relatively steady throughout the forecast period, comprising 1.2% of net sales, slightly below the 1.3% average observed between 2018 and 2022. This decrease is attributed to significant recent investments in areas such as the E-commerce platform, EIS-system, and the establishment of a centralized warehouse. As a result, the proportion of D&A in relation to revenue is expected to decline during the forecasted period.

Moreover, the projected working capital requirements are likely to follow a pattern resembling historical trends. Nevertheless, we forecast a progressively larger portion of revenue, approx. 11-12%, being allocated to working capital, reflecting our expectations for continued expansion within the Sport Apparel segment. To determine the present value of FCFF, we applied a WACC of 11.6%, resulting in a DCF valuation of SEK 48.2 per share.

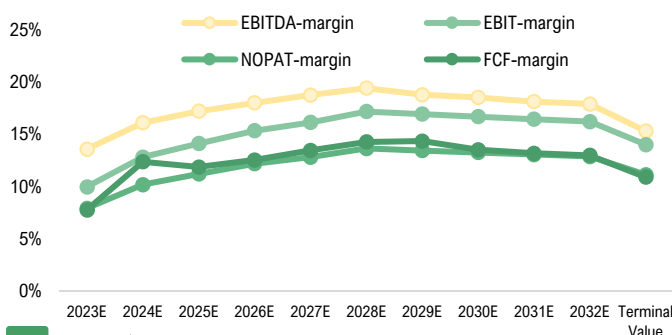
### Cash Flow Distribution



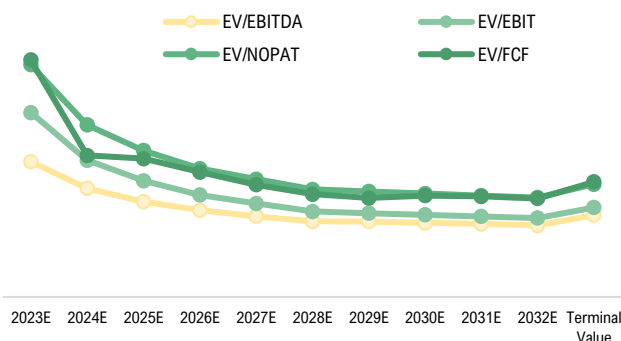
### Free Cash Flow Margin Profile is Strong When Compared to Peers

From 2018 to 2022, Björn Borg demonstrated an average FCF-margin of 10.6%, surpassing the average for sport apparel peers (7.5%), signifying a superior capability to generate FCF from sales. With the enhanced profitability that Analyst Group forecast, the FCF-margin is expected to climb, reaching a peak of 14.3% in 2028, before stabilizing at 10.9% in the terminal year.

#### Profitability



#### Forward Multiples



### DCF Input

Net Sales, CAGR 2023-2025E	5.7%
Net Sales, CAGR 2025-2028E	3.8%
Net Sales, CAGR 2028-2032E	3.5%
EBIT Growth, CAGR 2023-2025E	23.8%
EBIT Growth, CAGR 2025-2028E	10.8%
EBIT Growth 2028-2032E	2.0%
Working Capital (as a % of Net Sales, 2028-2032E)	11.6%
Capex (as a % of Net Sales, 2028-2032E)	1.2%
D&A (as a % of Net Sales, 2028-2032E)	1.8%
Tax Rate	20.6%

### Terminal Value Assumptions

Terminal Growth	2.0%
Long-term EBIT margin (adj)	14.0%
Working Capital (as a % of Net Sales)	11.6%
D&A (as a % of Net Sales)	1.3%
CAPEX (as a % of Net Sales)	1.3%
Tax Rate	20.6%

### WACC Assumptions

Risk Free Rate	2.5%
Market Risk Premium	5.6%
Levered Beta	1.1
Small-Cap Risk Premium	2.0%
Company Specific Risk Premium	1.6%
Cost of Equity	21.2%
Target Debt/(Debt+Equity)	14.0%

### WACC 11.6%

### Valuation Summary (SEKm)

PV Explicit Forecast Period (2023-2025E)	260.7
PV Normalization Period (2026-2032E)	555.3
Terminal Value	537.2
<i>Terminal Value as a % of Enterprise Value</i>	<i>39.7%</i>
Total Enterprise Value	<b>1,353.2</b>
Net Debt, Q2-23	140.7
Total Equity Value	1,212.5
Outstanding Shares (in millions)	25.1
<b>Equity Value Per Share</b>	<b>48.2</b>

Average 2018-2022	EBIT Margin	FCF Margin
	9.6%	10.6%

<sup>1</sup> Consisting of two time periods, 2026-2028E and 2029-2033E.

<sup>2</sup> Estimated EBIT margin (adj. & Currency-Neutral)

### Sensitivity Analysis

To illustrate the sensitivity of our potential target price for Björn Borg to changes in underlying variables, we have chosen to construct a sensitivity analysis regarding the DCF analysis. In this sensitivity analysis, our focus is on the impact of slight adjustments to the residual concerning terminal growth, EBIT margin, and applied WACC. If the applied growth rate in the residual were to be 3% or 1%, the justified target price for Björn Borg would correspond to SEK 50.7 and SEK 46.2 per share, respectively, all else being equal. Adjustments in the EBIT margin have a more substantial impact on the share price, where, for instance, a long-term EBIT margin of 16% or 12% justifies a stock price of SEK 51.3 and SEK 45.1, respectively, all else being equal.

**Below, we illustrate the impact of minor adjustments in Terminal Growth, WACC, and Assumed EBIT Margin in the Terminal Period on Björn Borg's Share Price.**

Sensitivity Analysis

		Terminal Growth					EBIT Margin (terminal period)				
		0.0%	1.0%	2.0%	3.0%	4.0%	10.0%	12.0%	14.0%	16.0%	18.0%
WACC	9.6%	54.8	57.7	61.4	66.2	72.7	52.1	56.7	61.4	66.0	70.7
	10.6%	49.2	51.4	54.0	57.4	61.9	46.5	50.3	54.0	57.8	61.6
	11.6%	44.5	46.2	48.2	50.7	53.8	42.0	45.1	48.2	51.3	54.4
	12.6%	40.6	41.9	43.5	45.3	47.6	38.3	40.9	43.5	46.1	48.7
	13.6%	37.3	38.3	39.5	40.9	42.6	35.1	37.3	39.5	41.7	43.9

Source: Analyst Group

### Concluding Remarks: Valuation

To derive a valuation for Björn Borg, Analyst Group has used two valuation methods; Relative Valuation and a Discounted Cash Flow Analysis. The relative valuation indicates a share price of SEK 47.8, using a forward EV/EBIT multiple of 10.5x on FY2024 estimated EBIT of SEK 118m. The applied multiple corresponds to a -21% discount compared to the median EV/EBIT multiple of the Sport Apparel peer group, as we argue that the peers' brands are stronger and have a higher awareness on a global scale. Further, Analyst Group do not want to "favor" Björn Borg's relatively stronger CAGR in EBIT during 2023-2025 due to currency-effects, since the corresponding CAGR in EBIT is estimated to be 5.0% when excluding currency-effects, which, in turn, is below the peers' median value of 12.0%.

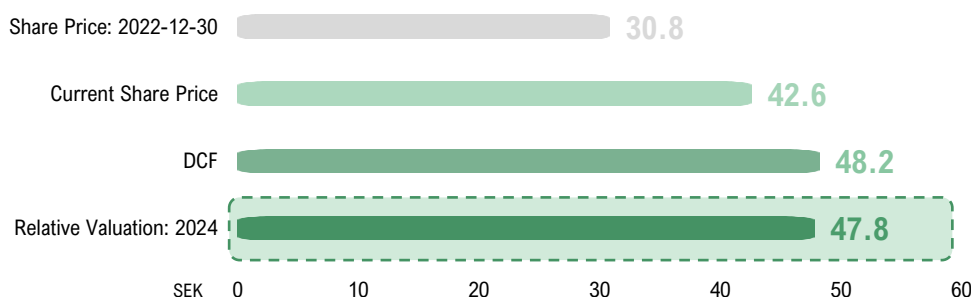
Our DCF shows a value per share of SEK 48.2 for Björn Borg based on what Analyst Group believes are somewhat conservative estimates. The terminal growth stands at 2%, long-term EBIT margin at 14%, and the FCF has been discounted with a WACC of 11.6%, which Analyst Group argue is a reasonable level for a company of Björn Borg's market capitalization and financial characteristics. As we have had a large quantity of similar companies to base our relative valuation on, but also to capture the current market sentiment better, we put a higher emphasis on the derived value per share from the relative valuation, which indicates a motivated value per share of SEK 47.8, which we have support for in our DCF.

**SEK 47.8**  
PER SHARE  
(BASE SCENARIO)

**Based on a Relative Valuation, Analyst Group Sees a Motivated Value Per Share of SEK 47.8 for Björn Borg.**

Share Price at 2022 year end, Current share price, DCF-value, and Value per Share from Relative Valuation.

### Valuation: A Summary



Source: Analyst Group

### Bull Scenario

In a Bull scenario, Analyst Group estimates that Björn Borg will continue to achieve significant success within the E-commerce and sports apparel segments. The Company has demonstrated its ability to adapt to the evolving retail landscape, and its online sales have been steadily growing, providing a solid platform for growth in an increasingly digital shopping environment. Moreover, Björn Borg's strategic focus on building strong relationships with wholesale partners is anticipated to yield positive results. Building, as well as maintaining, strong partnerships will not only ensure a wider distribution network but also strengthen the brand's omni channel presence through physical stores, contributing to reaching a broader customer base.

Brand awareness is another strong point for the Company in a Bull scenario. Björn Borg's recent efforts to boost brand awareness have already borne fruit, evidenced by the successful marketing campaigns and partnerships that have led to increased brand recognition. Looking ahead, Analyst Group foresees even greater success in brand promotion, especially through social media and other brand-activating events, such as collaboration with influential ambassadors. This is anticipated to cultivate even deeper consumer trust and loyalty, further solidifying the brand's position in the market.

Moreover, the pivotal US expansion remains a driving force for Björn Borg's growth in the coming years, even though the results from the launch, approx. a year ago, has taken slightly longer time than the Company initially expected. The American market represents a significant growth opportunity, and a well-executed expansion can unlock substantial revenue streams, potentially serving as a blueprint for further international market penetration. In a Bull scenario, we have increased the probability of Björn Borg's success in the US market during the forecast period. Lastly, in a Bull scenario, we anticipate positive responses to new collection launches. These launches are expected to resonate with target audience and help the brand maintain its relevance, resulting in increased sales and elevated brand awareness and perception to new heights. In a Bull scenario, Analyst Group estimates an EBIT of SEK 131m for the fiscal year 2024, and, applying a forward EV/EBIT multiple of 11.5x, a share price of 58.8 has been derived in a Bull scenario.

### Bear Scenario

In a Bear scenario, Analyst Group foresees that the E-commerce scale-up for Björn Borg may take longer than in other scenarios, causing growth to be pushed further into the future. As online sales become increasingly important in the retail landscape, any delays in this area have the potential to impede revenue growth going forward. Wholesale partners plays a vital role for both distribution and brand awareness of Björn Borg and, in a Bear scenario, Analyst Group accounts for a higher probability that Björn Borg might face difficulties in establishing strong and enduring partnerships with influential wholesale partners. This would, in turn, result in a reduction in the availability of Björn Borg's products in key retail stores, ultimately leading to a decline in brand visibility and market share, and negatively impact sales and market positioning.

Stagnating brand awareness is another risk factor to consider in a Bear scenario according to Analyst Group. If efforts to boost brand awareness fail to gain further traction, Björn Borg may continue to be predominantly perceived as a men's underwear company, a business segment that has shown relatively unchanged revenues recent years. Such a limited brand perception is also expected to hinder the Company's ability to diversify its product offerings further and, hence, target a broader customer base.

Furthermore, the current challenging macroeconomic environment, marked by lower economic growth, high inflation, weakened consumer spending, and geopolitical uncertainties, is expected to have a negative impact on sales and profitability outlook during the forecast period in a Bear scenario. Björn Borg, alongside other clothing brands, may encounter difficulties in maintaining or growing its customer base under these less favorable economic conditions.

Lastly, in a Bear scenario, Analyst Group estimates that new collection launches does not achieve the same positive response as in a Base or Bull scenario. It is anticipated that these launches not align with consumer preferences and trends to the same extent, which is estimated to lead to weaker sales and excess inventory. In a Bear scenario, Analyst Group estimates an EBIT of SEK 93m for the fiscal year 2024, and, applying a forward EV/EBIT multiple of 9.5x, a share price of SEK 32.4 has been derived in a Bear scenario.

## Bull Scenario

Estimated EBIT 2024E

SEK 131m

Applied EV/EBIT Multiple

11.5x

Potential Share Price

SEK 58.8

## Bear Scenario

Estimated EBIT 2024E

SEK 93m

Applied EV/EBIT Multiple

9.5x

Potential Share Price

SEK 32.4

0.5% | Total Ownership  
by Management**Henrik Bunge – CEO**

Henrik Bunge, the CEO since 2014, holds a LLB from the University of Uppsala and has a strong background in sales and management, having previously served as the CEO of Peak Performance and in various leadership roles at Adidas and Hästens sängar.

*Shareholding in the Company: 110,000 shares (0.44%)*

**Jens Nyström – CFO**

Jens Nyström, the CFO since 2018, brings his financial expertise to the team, having previously worked at Haglöfs, Sanofi Pasteur MSD, and SC Johnson.

*Shareholding in the Company: 5,000 shares (0.02%)*

**Robin Salazar – Global E-Commerce Director**

Robin Salazar, the Global E-commerce Director since 2017, specializes in digital marketing and has held positions at Peak Performance and other companies.

*Shareholding in the Company: 1,500 shares (0.01%)*

**Eric Shuurman – Managing Director Central Europe**

Eric Schuurman, the Managing Director Central Europe since 2020, has a diverse background, including roles at Bol.com, adidas Group, and Reebok, among others.

*Shareholding in the Company: Eric do not hold any shares in Björn Borg.*

**Joacim Sjödin – Global Sales Director**

Joacim Sjödin, the Global Sales Director since 2015, has previously served as a country manager at Adidas Group and European Sales Director at Peak Performance.

*Shareholding in the Company: 10,000 shares (0.04%)*

**Emma Bengtsson – Marketing Director**

Emma Bengtsson, the Marketing Director since 2015, holds degrees in strategic communication and PR. She has previously worked at Indiska and held other positions at Björn Borg.

*Shareholding in the Company: 4,079 shares (0.02%)*

**Daniel Grohman – Global Operations Director**

Daniel Grohman, the Global Operations Director since 2015, has an MBA and a background in business development, including roles at Björn Borg, Efva Attling, and Adidas Group Nordic.

*Shareholding in the Company: 3,796 shares (0.02%)*

**Andreas Gran – Creative Director**

Andreas Gran, the Creative Director since 2019, has a background in fashion and design, with experience at H&M, GANT, and Tiger of Sweden, among others.

*Shareholding in the Company: 245 shares (0.00%)*

12.2% | Total Ownership  
by the Board**Heiner Olbrich – Chairman of the Board**

Heiner Olbrich has been the Chairman of the Board since 2017, with previous board membership between 2015-2017. He holds a BSc in Economics from the University of Montpellier, an MBA, and a PhD in economics from St. Gallen, Switzerland. He has a wealth of experience, having served as the Chief Marketing and Sales Officer at Miele and Senior Vice President Global Sales at Adidas, among other roles.

*Shareholding in the Company: 60,000 shares (0.24%)*

**Alessandra Cama – Director**

Alessandra Cama, a director since 2018, brings her extensive background to the board. She is the CEO of Zertus and ZRT Fr. Meyers Sohn Holding. Her prior roles include Managing Director of Marketing & Sales at Warsteiner Brauerei and a partner at Roland Berger Strategy Consultants.

*Shareholding in the Company: 20,000 shares (0.08%)*

**Jens Høgsted – Director**

Jens Høgsted joined the board in 2021 and currently serves as CEO of Karmameju, with board membership in various companies. His past experiences include being the CEO of Sportmaster and Sport Nordic Group, a co-founder and partner at Quartz, and consultant roles with Valtech and Coopers & Lybrand.

*Shareholding in the Company: 5,500 shares (0.02%)*

**Anette Klintfält – Director**

Anette Klintfält, a director since 2019, has a background in architecture and specializes in design and creative direction in the fashion industry. She co-founded Matter of Time and has worked on design projects for brands like GANT, Zalando, and H&M New Business.

*Shareholding in the Company: Anette do not hold any shares in Björn Borg.*

**Fredrik Lövestedt – Director**

Fredrik Lövestedt, with a solid track record, has been a director since 2004. He is the founder of AlertSec Inc. and the CEO of Durator AB. Previously, he served as Deputy CEO of Protect Data AB and has been running his own company since 1984.

*Shareholding in the Company: 950,040 shares (3.78%)*

**Mats H Nilsson – Director**

Mats H Nilsson, a director since 1998, has a background in economics and finance, with previous roles at Swiss Bank Corporation and SG Warburg & Co Ltd in London.

*Shareholding in the Company: 1,638,440 shares (6.52%)*

**Johanna Schottenius – Director**

Johanna Schottenius, a director since 2022, is also the CEO of Schottenius & Partners AB, a company focused on developing start-ups and scaleups. She brings a wealth of experience from roles at IKEA and other tech companies.

*Shareholding in the Company: 382,880 shares (1.52%)*

Base scenario SEKm	2020A	2021A	2022A	2023E	2024E	2025E
<i>Net Sales Growth</i>	-6.9%	8.9%	8.7%	5.3%	4.9%	6.7%
Net Sales	705	768	835	879	923	985
Other Operating Income	29	28	26	13	0	0
<b>Total Sales</b>	<b>734</b>	<b>796</b>	<b>861</b>	<b>893</b>	<b>923</b>	<b>985</b>
COGS	-335	-352	-411	-414	-418	-438
COGS (Currency-Neutral)	-339	-362	-372	-403	-418	-438
<b>Gross Profit</b>	<b>399</b>	<b>444</b>	<b>450</b>	<b>478</b>	<b>505</b>	<b>547</b>
<b>Gross Profit (Currency-Neutral)</b>	<b>395</b>	<b>434</b>	<b>489</b>	<b>490</b>	<b>505</b>	<b>547</b>
Gross Margin (adj.)	52.5%	54.2%	50.8%	52.9%	54.7%	55.5%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	54.2%	54.7%	55.5%
Other External Expenses	-159	-158	-181	-211	-216	-228
Staff Costs	-130	-126	-141	-136	-140	-149
Other Operating Expenses	-36	-21	-20	-12	0	0
SG&A	-325	-305	-342	-359	-356	-377
<b>EBITDA</b>	<b>74</b>	<b>139</b>	<b>108</b>	<b>119</b>	<b>149</b>	<b>169</b>
<b>EBITDA (Currency-Neutral)</b>	<b>70</b>	<b>129</b>	<b>147</b>	<b>131</b>	<b>149</b>	<b>169</b>
EBITDA-margin	10.5%	18.1%	12.9%	13.6%	16.1%	17.2%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	13.4%	16.1%	17.2%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	14.7%	16.1%	17.2%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-32	-30	-31
<b>EBIT</b>	<b>33</b>	<b>104</b>	<b>73</b>	<b>88</b>	<b>118</b>	<b>139</b>
<b>EBIT (Currency-Neutral)</b>	<b>29</b>	<b>94</b>	<b>120</b>	<b>99</b>	<b>118</b>	<b>139</b>
EBIT-margin	4.7%	13.5%	8.8%	10.0%	12.8%	14.1%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	9.8%	12.8%	14.1%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	11.1%	12.8%	14.1%
Financial items, net	-16	3	-2	-3	-6	-4
<b>EBT</b>	<b>17</b>	<b>107</b>	<b>71</b>	<b>85</b>	<b>112</b>	<b>135</b>
Tax	1	-21	-20	-18	-23	-28
<b>Net profit</b>	<b>18</b>	<b>86</b>	<b>51</b>	<b>67</b>	<b>89</b>	<b>107</b>
Net margin	-1.5%	7.5%	3.0%	6.2%	9.6%	10.9%

DCF - Base scenario (SEKm)	Explicit Forecast period			Normalized Forecast Period							Terminal
	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Value
<b>NOPAT</b>	<b>70</b>	<b>94</b>	<b>110</b>	<b>126</b>	<b>137</b>	<b>150</b>	<b>153</b>	<b>156</b>	<b>159</b>	<b>162</b>	<b>143</b>
+ D&A	32	30	31	28	28	25	21	22	21	21	17
- CAPEX	10	11	12	12	13	13	13	14	14	15	17
Increase (-) / Decrease (+) in Working Capital	-23	1	-12	-12	-9	-5	2	-5	-5	-5	-3
<b>Free Cash Flow</b>	<b>68</b>	<b>114</b>	<b>117</b>	<b>129</b>	<b>144</b>	<b>157</b>	<b>163</b>	<b>159</b>	<b>161</b>	<b>164</b>	<b>140</b>
<b>Discounted Free Cash Flow</b>	<b>67</b>	<b>101</b>	<b>93</b>	<b>92</b>	<b>92</b>	<b>89</b>	<b>83</b>	<b>73</b>	<b>66</b>	<b>60</b>	<b>537</b>

DCF - Base scenario (SEKm)	
WACC	11.6%
Free Cash Flow (Present Value)	816
Terminal Value	537
<b>Enterprise Value</b>	<b>1,353</b>
Net Debt	141
<b>Equity Value</b>	<b>1,213</b>
Share Outstanding (in millions)	25.1
<b>Value per Share (SEK)</b>	<b>48.2</b>



### Cash Flow Distribution

Terminal Value **40%**

PV Normalization Period (2026-2032E) **41%**

PV Explicit Forecast Period (2023-2025E) **19%**

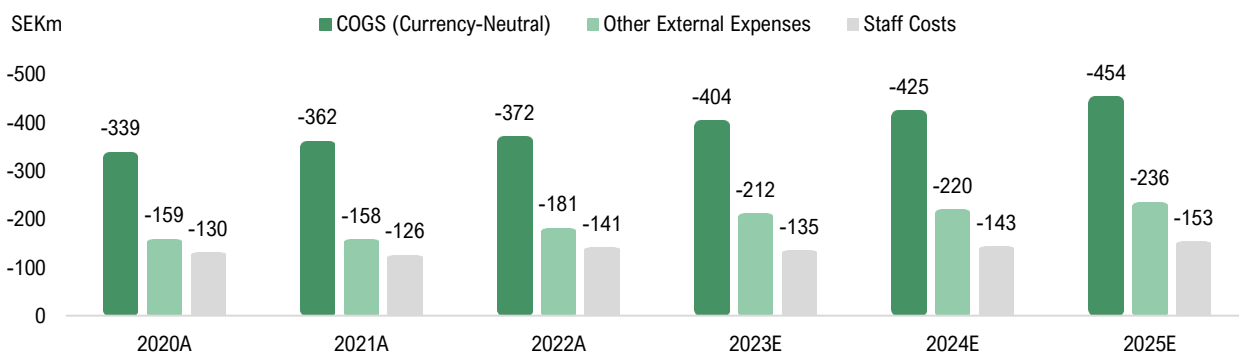
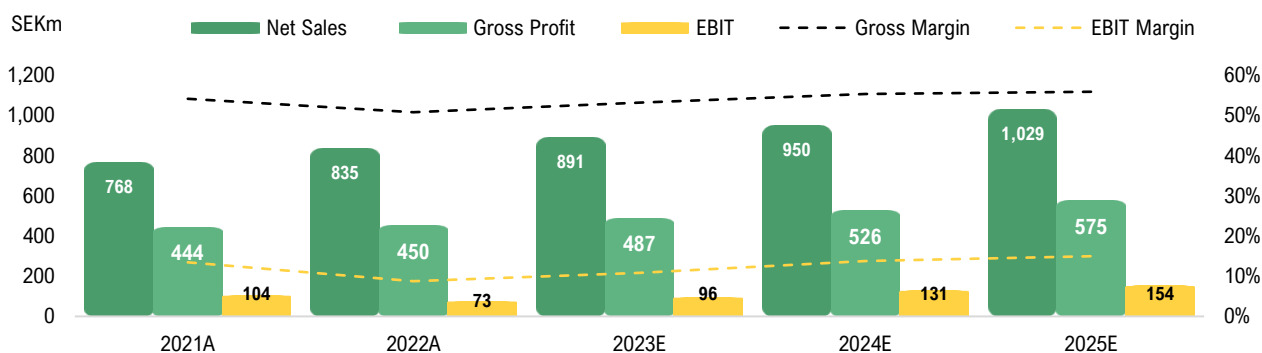
Financial Forecast (Quarterly) (SEKm)	Q1-23	Q2-23	Q3-23	Q4-23E	2023E	Q1-24E	Q2-24E	Q3-24E	Q4-24E	2024E
Net Sales Growth	8.9%	2.5%	5.4%	3.1%	4.9%	4.6%	4.7%	5.3%	5.1%	4.9%
<b>Net Sales</b>	<b>247</b>	<b>166</b>	<b>262</b>	<b>205</b>	<b>879</b>	<b>258</b>	<b>173</b>	<b>276</b>	<b>215</b>	<b>923</b>
COGS	-118	-74	-124	-98	-414	-116	-75	-125	-101	-418
<b>Gross Profit</b>	<b>132</b>	<b>96</b>	<b>144</b>	<b>106</b>	<b>478</b>	<b>142</b>	<b>98</b>	<b>150</b>	<b>114</b>	<b>505</b>
Gross Margin	52.2%	55.6%	52.6%	51.9%	52.9%	55.0%	56.6%	54.5%	53.0%	54.7%
OPEX (excl. D&A)	-92	-80	-95	-92	-359	-89	-80	-92	-95	-356
<b>EBITDA</b>	<b>40</b>	<b>16</b>	<b>49</b>	<b>14</b>	<b>119</b>	<b>53</b>	<b>18</b>	<b>59</b>	<b>19</b>	<b>149</b>
EBITDA Margin	16.2%	9.8%	18.7%	6.9%	13.6%	20.4%	10.4%	21.3%	8.8%	16.1%
<b>EBIT</b>	<b>31</b>	<b>8</b>	<b>41</b>	<b>7</b>	<b>88</b>	<b>45</b>	<b>10</b>	<b>51</b>	<b>11</b>	<b>118</b>
EBIT Margin	12.7%	4.9%	15.6%	3.5%	10.0%	17.5%	6.0%	18.6%	5.2%	12.8%

Base scenario SEKm	2020A	2021A	2022A	2023E	2024E	2025E	2026E
<b>Assets</b>							
<i>Intangible Assets</i>							
Goodwill	34	35	36	36	36	36	36
Trademarks	188	188	188	188	188	188	188
License/Customer relations	0	2	2	2	1	1	1
Other intangible assets	10	9	6	4	4	4	5
<b>Total Intangible Assets</b>	<b>232</b>	<b>233</b>	<b>232</b>	<b>230</b>	<b>229</b>	<b>229</b>	<b>230</b>
<i>Tangible Non-Current Assets</i>							
PP&E	17	15	16	18	19	21	22
Right-of-Use Assets	57	55	53	50	49	43	42
Deferred Tax Assets	16	14	13	13	13	13	13
<b>Total Tangible Non-Current Assets</b>	<b>89</b>	<b>84</b>	<b>81</b>	<b>81</b>	<b>81</b>	<b>77</b>	<b>77</b>
<b>Total Non-Current Assets (Fixed Assets)</b>	<b>321</b>	<b>317</b>	<b>313</b>	<b>311</b>	<b>311</b>	<b>307</b>	<b>306</b>
<i>Current Assets</i>							
Inventory	123	152	201	182	189	204	219
Accounts receivable	84	92	104	113	114	124	130
Other current receivables	10	9	13	14	13	14	14
Prepaid expenses and accrued income	9	13	6	14	15	16	17
Cash and short-term investments	70	97	16	55	56	89	102
<b>Total Current Assets</b>	<b>297</b>	<b>364</b>	<b>340</b>	<b>378</b>	<b>386</b>	<b>447</b>	<b>483</b>
<b>Total Assets</b>	<b>618</b>	<b>681</b>	<b>653</b>	<b>689</b>	<b>697</b>	<b>753</b>	<b>789</b>
<b>Owners' Equity and Liabilities</b>							
Owners' Equity	296	340	331	349	380	412	458
Minority interests	-5	-6	-7	-7	-7	-7	-7
<b>Total Owners' Equity</b>	<b>291</b>	<b>334</b>	<b>325</b>	<b>342</b>	<b>373</b>	<b>405</b>	<b>452</b>
<i>Long-Term Liabilities</i>							
Long-term interest-bearing liabilities	99	80	0	0	0	0	0
Long-term leasing liabilities	36	34	32	32	30	27	26
Other long-term liabilities	39	42	40	40	40	40	40
<b>Total Long-Term Liabilities</b>	<b>174</b>	<b>155</b>	<b>72</b>	<b>72</b>	<b>70</b>	<b>67</b>	<b>66</b>
<i>Short-Term Liabilities</i>							
Short-term interest-bearing liabilities	0	0	30	75	45	60	40
Accounts payable	77	97	106	85	94	104	113
Short-term leasing liabilities	21	20	19	19	18	16	16
Current Tax Liabilities	0	12	22	22	22	22	22
Other Current Liabilities	22	20	38	32	32	34	35
Accrued Expenses and Prepaid Income	34	42	41	43	43	45	47
<b>Total Short-Term Liabilities</b>	<b>154</b>	<b>191</b>	<b>256</b>	<b>277</b>	<b>254</b>	<b>282</b>	<b>272</b>
<b>Total Liabilities</b>	<b>328</b>	<b>346</b>	<b>328</b>	<b>348</b>	<b>325</b>	<b>349</b>	<b>338</b>
<b>Total Owners' Equity and Liabilities</b>	<b>618</b>	<b>681</b>	<b>653</b>	<b>689</b>	<b>697</b>	<b>753</b>	<b>789</b>

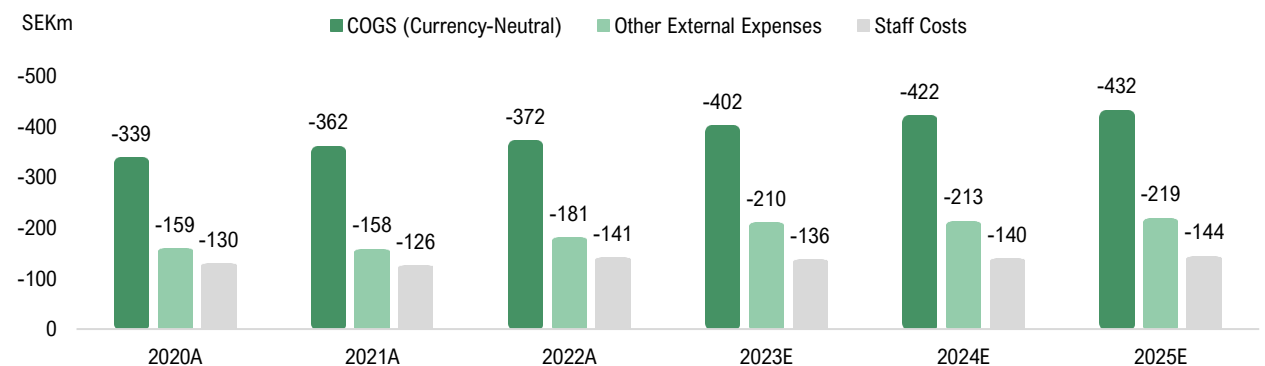
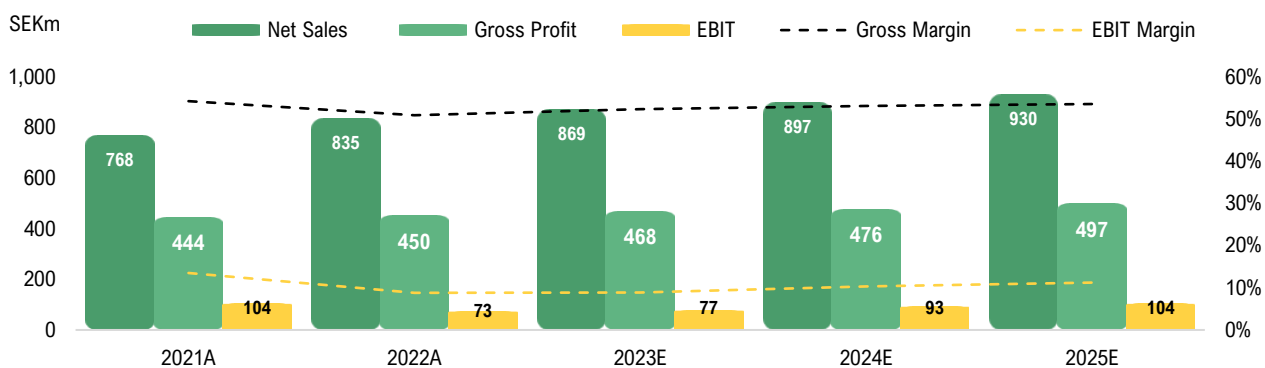
Base scenario, Key Ratios	2020A	2021A	2022A	2023E	2024E	2025E
<b>Growth</b>						
Net Sales Growth	-6.9%	8.9%	8.7%	5.3%	4.9%	6.7%
of which organic	-5.8%	11.5%	4.7%	n.a.	4.9%	6.7%
of which Currency-Effects	-1.1%	-2.6%	4.0%	n.a.	0.0%	0.0%
EBIT	-35.7%	211.4%	-29.3%	19.7%	34.6%	17.6%
EBIT (adj. & excl Currency-Effects)	-58.1%	221.9%	27.7%	-28.5%	37.7%	17.6%
EPS	-52.8%	368.4%	-40.2%	31.9%	31.2%	21.1%
FCF	33.7%	-22.6%	-49.5%	30.7%	67.2%	2.4%
<b>Profitability</b>						
Gross Margin (adj.)	52.5%	54.2%	50.8%	52.9%	54.7%	55.5%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	54.2%	54.7%	55.5%
EBITDA-margin	10.5%	18.1%	12.9%	13.6%	16.1%	17.2%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	13.4%	16.1%	17.2%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	14.7%	16.1%	17.2%
EBIT-margin	4.7%	13.5%	8.8%	10.0%	12.8%	14.1%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	9.8%	12.8%	14.1%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	9.6%	12.8%	14.1%
FCF-margin	19.0%	13.5%	6.2%	7.8%	12.4%	11.9%
<b>Financial Position</b>						
(+) Net Debt / (-) Net Cash (excl leasing)	29	-17	14	20	-11	-29
(+) Net Debt / (-) Net Cash (incl leasing)	86	37	65	70	38	15
Debt to Equity (Book Value) (excl leasing)	34.0%	23.9%	9.2%	21.9%	12.1%	14.8%
Debt to Assets (excl leasing)	16.0%	11.8%	4.6%	10.9%	6.5%	8.0%
Debt Ratio	1.1	1.0	1.0	1.0	0.9	0.9
Equity Ratio	47.1%	49.1%	49.7%	49.6%	53.5%	53.8%
<b>Capital Commitment</b>						
Working Capital	143	173	84	102	132	165
Working Capital (excl cash)	73	76	68	46	76	76
Asset Turnover	1.1	1.2	1.3	1.3	1.3	1.4
Inventory Turnover	2.7	2.6	2.3	2.2	2.3	2.2



Bull scenario SEKm	2020A	2021A	2022A	2023E	2024E	2025E
<i>Net Sales Growth</i>	-6.9%	8.9%	8.7%	6.7%	6.7%	8.3%
Net Sales	705	768	835	891	950	1,029
Other Operating Income	29	28	26	14	0	0
<b>Total Sales</b>	<b>734</b>	<b>796</b>	<b>861</b>	<b>904</b>	<b>950</b>	<b>1,029</b>
COGS	-335	-352	-411	-417	-425	-454
COGS (Currency-Neutral)	-339	-362	-372	-404	-425	-454
<b>Gross Profit</b>	<b>399</b>	<b>444</b>	<b>450</b>	<b>487</b>	<b>526</b>	<b>575</b>
<b>Gross Profit (Currency-Neutral)</b>	<b>395</b>	<b>434</b>	<b>489</b>	<b>500</b>	<b>526</b>	<b>575</b>
Gross Margin (adj.)	52.5%	54.2%	50.8%	53.2%	55.3%	55.9%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	54.6%	55.3%	55.9%
Other External Expenses	-159	-158	-181	-212	-220	-236
Staff Costs	-130	-126	-141	-135	-143	-153
Other Operating Expenses	-36	-21	-20	-12	0	0
SG&A	-325	-305	-342	-359	-363	-389
<b>EBITDA</b>	<b>74</b>	<b>139</b>	<b>108</b>	<b>128</b>	<b>163</b>	<b>186</b>
<b>EBITDA (Currency-Neutral)</b>	<b>70</b>	<b>129</b>	<b>147</b>	<b>141</b>	<b>163</b>	<b>186</b>
EBITDA-margin	10.5%	18.1%	12.9%	14.4%	17.1%	18.1%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	14.2%	17.1%	18.1%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	15.6%	17.1%	18.1%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-32	-31	-32
<b>EBIT</b>	<b>33</b>	<b>104</b>	<b>73</b>	<b>96</b>	<b>131</b>	<b>154</b>
<b>EBIT (Currency-Neutral)</b>	<b>29</b>	<b>94</b>	<b>120</b>	<b>109</b>	<b>131</b>	<b>154</b>
EBIT-margin	4.7%	13.5%	8.8%	10.8%	13.8%	15.0%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	10.6%	13.8%	15.0%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	12.0%	13.8%	15.0%
Financial items, net	-16	3	-2	-3	-6	-3
<b>EBT</b>	<b>17</b>	<b>107</b>	<b>71</b>	<b>94</b>	<b>125</b>	<b>151</b>
Tax	1	-21	-20	-19	-26	-31
<b>Net profit</b>	<b>18</b>	<b>86</b>	<b>51</b>	<b>74</b>	<b>99</b>	<b>120</b>
Net margin	-1.5%	7.5%	3.0%	6.8%	10.4%	11.7%



Bear scenario SEKm	2020A	2021A	2022A	2023E	2024E	2025E
<i>Net Sales Growth</i>	-6.9%	8.9%	8.7%	4.1%	3.2%	3.6%
Net Sales	705	768	835	869	897	930
Other Operating Income	29	28	26	13	0	0
<b>Total Sales</b>	<b>734</b>	<b>796</b>	<b>861</b>	<b>882</b>	<b>897</b>	<b>930</b>
COGS	-335	-352	-411	-415	-422	-432
COGS (Currency-Neutral)	-339	-362	-372	-402	-422	-432
<b>Gross Profit</b>	<b>399</b>	<b>444</b>	<b>450</b>	<b>468</b>	<b>476</b>	<b>497</b>
<b>Gross Profit (Currency-Neutral)</b>	<b>395</b>	<b>434</b>	<b>489</b>	<b>481</b>	<b>476</b>	<b>497</b>
Gross Margin (adj.)	52.5%	54.2%	50.8%	52.3%	53.0%	53.5%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	53.8%	53.0%	53.5%
Other External Expenses	-159	-158	-181	-210	-213	-219
Staff Costs	-130	-126	-141	-136	-140	-144
Other Operating Expenses	-36	-21	-20	-12	0	0
SG&A	-325	-305	-342	-359	-353	-364
<b>EBITDA</b>	<b>74</b>	<b>139</b>	<b>108</b>	<b>109</b>	<b>122</b>	<b>134</b>
<b>EBITDA (Currency-Neutral)</b>	<b>70</b>	<b>129</b>	<b>147</b>	<b>122</b>	<b>122</b>	<b>134</b>
EBITDA-margin	10.5%	18.1%	12.9%	12.5%	13.7%	14.4%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	12.4%	13.7%	14.4%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	13.9%	13.7%	14.4%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-32	-30	-30
<b>EBIT</b>	<b>33</b>	<b>104</b>	<b>73</b>	<b>77</b>	<b>93</b>	<b>104</b>
<b>EBIT (Currency-Neutral)</b>	<b>29</b>	<b>94</b>	<b>120</b>	<b>90</b>	<b>93</b>	<b>104</b>
EBIT-margin	4.7%	13.5%	8.8%	8.9%	10.3%	11.2%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	8.8%	10.3%	11.2%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	10.3%	10.3%	11.2%
Financial items, net	-16	3	-2	-3	-6	-4
<b>EBT</b>	<b>17</b>	<b>107</b>	<b>71</b>	<b>75</b>	<b>86</b>	<b>100</b>
Tax	1	-21	-20	-15	-18	-21
<b>Net profit</b>	<b>18</b>	<b>86</b>	<b>51</b>	<b>59</b>	<b>68</b>	<b>80</b>
Net margin	-1.5%	7.5%	3.0%	5.3%	7.6%	8.6%



# Disclaimer

---

These analyses, documents and any other information originating from AG Equity Research AB (Henceforth "AG") are created for information purposes only, for general dissipation and are not intended to be advisory. The information in the analysis is based on sources, data and persons which AG believes to be reliable. AG can never guarantee the accuracy of the information. The forward-looking information found in this analysis are based on assumptions about the future, and are therefore uncertain by nature and using information found in the analysis should therefore be done with care. Furthermore, AG can never guarantee that the projections and forward-looking statements will be fulfilled to any extent. This means that any investment decisions based on information from AG, any employee or person related to AG are to be regarded to be made independently by the investor. These analyses, documents and any other information derived from AG is intended to be one of several tools involved in investment decisions regarding all forms of investments regardless of the type of investment involved. Investors are urged to supplement with additional relevant data and information, as well as consulting a financial adviser prior to any investment decision. AG disclaims all liability for any loss or damage of any kind that may be based on the use of analyzes, documents and any other information derived from AG.

## **Conflicts of Interest and impartiality**

To ensure AG's independence, AG has established compliance rules for analysts. In addition, all analysts have signed an agreement in which they are required to report any and all conflicts of interest. These terms have been designed to ensure that *COMMISSION DELEGATED REGULATION (EU) 2016/958 of 9 March 2016, supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest*. Compliance policy: <https://analystgroup.se/interna-regler-ansvarsbegransning/> (Swedish)

## **Other**

This analysis is a task analysis. This means Analyst Group has received payment for doing the analysis. The Principal, **Björn Borg AB** (furthermore" the Company") has had no opportunity to influence the parts where Analyst Group has had opinions about the Company's future valuation or anything that could constitute an objective assessment.

The parts that the Company has been able to influence are the parts that are purely factual and objective.

The analyst does not own shares in the Company.

This analysis is copyright protected by law © AG Equity Research AB (2014-2023). Sharing, dissemination or equivalent action to a third party is permitted provided that the analysis is shared unchanged.