

Björn Borg



The E-Commerce Excellence 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 broad 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 127m (118), and by applying a forward EV/EBIT multiple of 10.7x (10.5), this presents a potential value of SEK 54.1 (47.8) per share in a Base scenario.

Strong Momentum in The Company's Own E-Commerce

The Q4-report served as a testament to the current macro environment, marked by a reduced purchasing power, with net sales falling short on our estimates (SEK 197.6m v.s. expected SEK 204.6m). It is evident that Björn Borg's distributors are grappling with heightening inventory levels and diminishing household spending, resulting in decreased purchases and sales to customers. However, on a positive note, own E-commerce showcased great momentum and posed a robust 46% Y-Y increase, exceeding our estimates with a wide margin. Consequently, online sales grew to a 47% share in Q4-23, and 41% for FY2023, which surpassed our projections. Analyst Group views this development positively as it indicates that the Company's investments in marketing and online strategies have yielded stronger brand recognition and online market penetration than predicted.

Strong Surge in Operating Profit and Increased Dividend

The operating profit soared by an impressive 126% to SEK 20.2m in Q4-23 compared to the corresponding figure last year, surpassing our projections. The strong increase Y-Y in the operating result was driven by a stronger-than-expected gross margin of 56.8%, fueled by improvements in the channel mix. Given the Company's strong balance sheet, Björn Borg announced alongside the Q4-report the Board's proposal to increase dividends to SEK 3.00 for fiscal year 2024, marking a 50% increase from last year. The proposed dividend for 2024 exceeded our estimates of SEK 2.30, underscoring the Company's confidence in its financial position going forward.

Revised Valuation Range

Despite facing challenges such as inflation, rising interest rates, and geopolitical uncertainties, all of which inevitably impact household consumption, Analyst Group argue that Björn Borg has demonstrated resilience and adeptly navigated these hurdles. The Q4 report serves as the latest testament to this, highlighted by the stronger-than-expected operating result. The strong momentum in own E-commerce is a driving force to that outcome, hence, Analyst Group has revised the profitability projections upwards, as we e.g. anticipate a stronger development within the online channels going forward, which boosts the bottom line. The combination of a stronger expected EBIT for 2024 and a multiple expansion among peers, has resulted in a new valuation range.

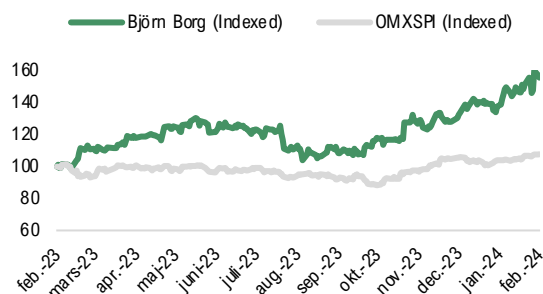
VALUATION RANGE

Bear	Base	Bull
SEK 37.3	SEK 54.1	SEK 63.7

KEY INFORMATION

Share Price (2024-02-27)	52.0
Shares Outstanding	25,148,384
Market Cap (SEKm)	1,307.7
Net cash(-)/debt(+) (SEKm)	16.2 ¹
Enterprise Value (SEKm)	1,323.9
List	Nasdaq Stockholm
Quarterly Report 1 2024	2024-05-16

SHARE PRICE DEVELOPMENT



OWNERS (SOURCE: HOLDINGS, 2023-12-27)

Nordnet Pensionsförsäkring	12.2%
Martin Bjäringer	9.9%
Mats Nilsson	6.5%
Thomas Eklund	5.5%
Lazard Frères Gestion	5.2%

Forecast (SEKm)	2021A	2022A	2023A	2024E	2025E
Net Sales Growth	8.9%	8.7%	4.4%	4.8%	6.7%
Net Sales	768	835	872	914	975
COGS	-411	-401	-407	-431	-450
Gross Profit	444	450	491	507	544
Gross Margin	54.2%	50.8%	54.0%	55.5%	55.8%
OPEX	-305	-342	-357	-350	-371
EBITDA	139	108	134	157	174
EBITDA-margin	18.1%	12.9%	15.3%	17.2%	17.8%
EBIT	104	73	101	127	143
EBIT Margin	13.5%	8.8%	11.5%	13.9%	14.7%
EV/S	1.7	1.5	1.5	1.4	1.4
EV/EBITDA	9.5	12.3	9.9	8.4	7.6
EV/EBIT	12.8	18.1	13.2	10.4	9.2

¹ Debt + Leasing Liabilities excl Deferred Tax Liabilities.

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Other

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