2024-02-28

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.

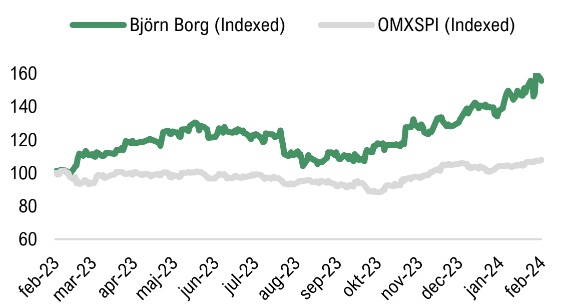
Valuation Range

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.

Introduction

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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
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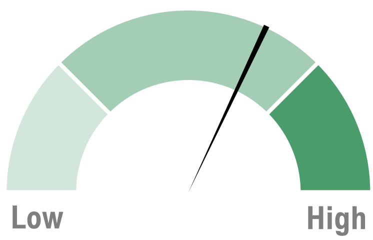
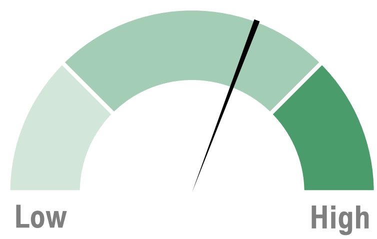
Value Drivers



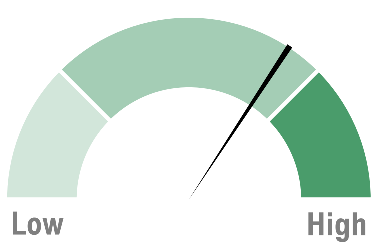
The key value drivers of Björn Borg going forward consists of a continuous successful work in changing the consumers' perception of the Björn Borg brand, from underwear to a Sports Fashion brand. The expansion within the German market, as well as within the US, will play a vital role in the Company's 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



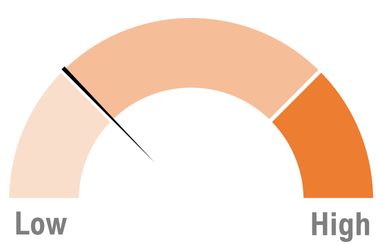
Björn Borg has an extensive record of showing profitability and FCF, with an average operating margin and FCF margin of 9.6% and 10.6%, respectively, for the past five years. On a currency-neutral basis, the operating margin has exhibited a positive trend in recent years, amounting to 13.7% in 2022. 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 & 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.

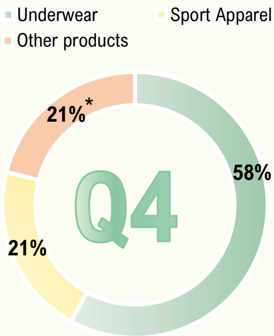
Comment on Year-End Report 2023

SEK 197.6m
NET SALES
Q4 2023

Own E-Commerce Grew 46% Y-Y

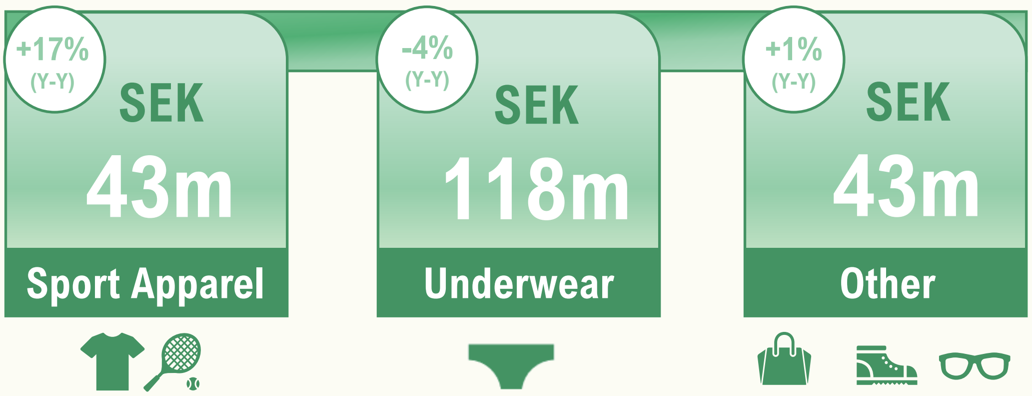
Björn Borg reported net sales of SEK 197.6m in the Company's fourth quarter of fiscal 2023, marking a Y-Y decrease of 0.4% when factoring currency effects, and -3% when excluding these effects. The outcome fell short of our estimates (SEK 204.6m or -3.4%), primarily driven by lower-than-expected sales from the Sport Apparel (-5.4%) and Underwear business (-3.8%). Conversely, the development in the product category "Other", exceeded our expectations (SEK 43m vs SEK 35m), where Analyst Group had estimated a carryover of the negative growth from the third quarter into the fourth quarter, but the actual development proved otherwise. Given prevailing challenges such as high inflation and reduced purchasing power, the recorded negative growth in Q4 is not alarming, but rather viewed as a temporary setback by Analyst Group.

Revenue Mix - %



*Footwear (3%), Bags (5%), Other Products (13%)

Revenue Mix: Q4 2023



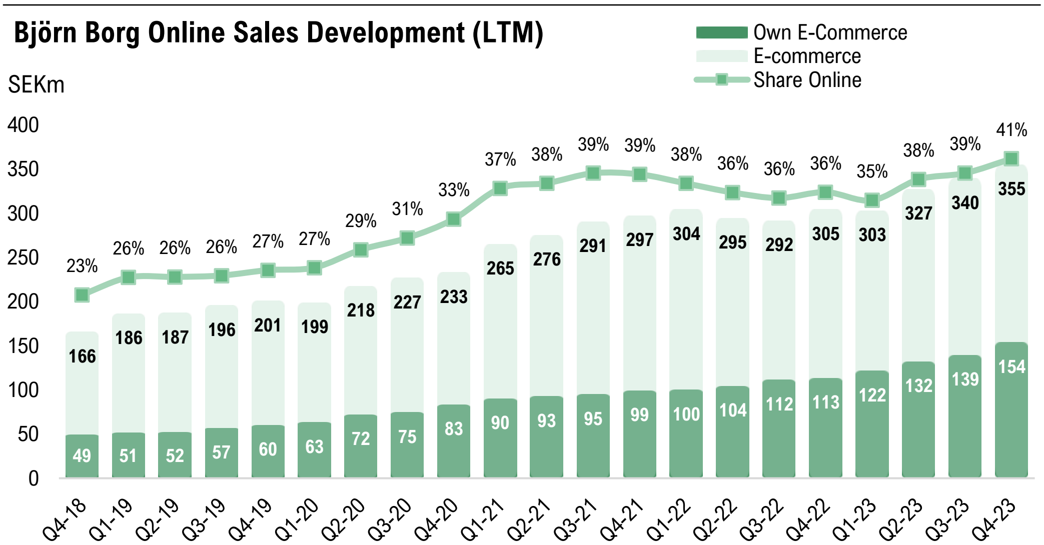
OWN E-COM GREW
46%
Y-Y

47%
ONLINE SHARE
Q4-23

Examining the current quarter's channel mix, it's noteworthy that the Company's Own E-commerce is gaining significant traction in the overall channel strategy. Sales from the Company's E-commerce platform amounted to SEK 45.8m in the fourth quarter, reflecting a robust 46% Y-Y increase and surpassing our forecasts by a substantial margin (SEK 34.6m).

The online sales performance concluded 2023 on a more robust note than anticipated, with online sales comprising 47% of total sales in the fourth quarter and 41% for the full fiscal year 2023, surpassing our projections of 39% for both Q4-23 and the entire fiscal 2023. This indicates potential for upward adjustments in the updated research report, as Björn Borg's significant marketing investments have yielded even greater brand strength and online market penetration than initially predicted. In the graph below, we can clearly see how consistent the growth in own E-commerce has been since the end of Q4-18, despite previous and current challenges, indicating that made investments on marketing has spurred increased activity within Björn Borg own homepage and strengthened the brand, according to Analyst Group.

Björn Borg Online Sales Development (LTM)



Comment on Year-End Report 2023, contd.

PREVAILING CHALLENGES AMONG DISTRIBUTORS

On the other hand, the Q4 report underscores the ongoing challenges faced by Björn Borg's distributors, characterized by elevated inventory levels and diminishing household consumption. We anticipate sustained weakness in this sales channel in the forthcoming quarter.

In terms of sales geography, the Netherlands and Belgium outperformed expectations, partially attributable to the stronger performance in Own E-commerce. Meanwhile, the Swedish market maintained its positive momentum, registering a Y-Y growth of 7% in the fourth quarter and 8% for the full fiscal year 2023. However, other Nordic markets displayed a mixed performance, with Finland experiencing a 6% decline compared to the previous year, while Denmark witnessed a noteworthy 24% Y-Y increase.

Björn Borg's Footwear Partner Enters into Restructuring

Shortly before the Q4-report, Björn Borg announced that its partner for the footwear business, Serve&Volley, has entered restructuring. For Björn Borg, the financial effect in the short term is limited, as orders placed for the spring collection are currently in Europe, ready to be delivered to customers. In the press release, Björn Borg revealed that the Company had, before this event, initiated a strategic review regarding overtaking the footwear operations under own authority. As the distribution of footwear is already an integrated part in the Nordic business (Sweden, Finland, and Denmark), Analyst Group believes that the probability for Björn Borg to overtake the footwear business is high. The financial impact of this transition would, according to Analyst Group, all else equal, result in a higher working capital need, in terms of increasing inventory and account receivables, for the end of 2024 and onwards. At the same time, the Company would get re-access to the markets that previously were omitted to Serve&Volley, resulting in higher footwear sales volumes in its own authority. However, it's worth noting that Björn Borg previously received royalties on sold footwear, yielding 100% margins. Therefore, while the net effect on a percentage basis may appear negative, the move to bring the footwear business under its own authority has resulted in a positive absolute impact.

Enhanced Channel Mix Supported a Strong Gross Margin…

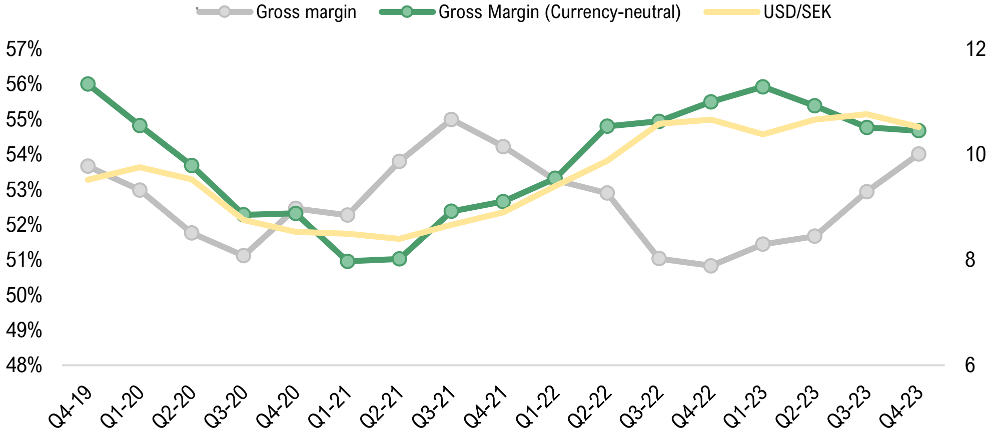
56.2%
GROSS MARGIN (FX-NEUTRAL)

During Q4-23, the Company achieved a gross margin of 56.8% (when including FX-effects) and 56.2 % when excluding currency effects, which was higher than estimated (54.1%). This strong performance can be attributed to ongoing efforts to reduce discounts and optimize the channel mix, with a notable contribution from the expanding share of Own E-commerce.

Looking ahead, continued investments in marketing and other brand-enhancing activities are expected to further bolster the company's online presence, particularly through Own E-commerce. Analyst Group forecasts a continued increase in online sales, laying the groundwork for sustaining a gross margin in the range of 55-57%. This outlook remains resilient even as the Sport Apparel segment, which typically carries lower margins, is projected to account for a larger share of revenues in the future.

Strong Development in Own E-com and Reduced Discounts, are Some of the Factors Behind the Increasing Gross Margin.

Gross margin, Gross margin (Currency-neutral), USD/SEK



Source: Björn Borg

Comment on Year-End Report 2023, contd.

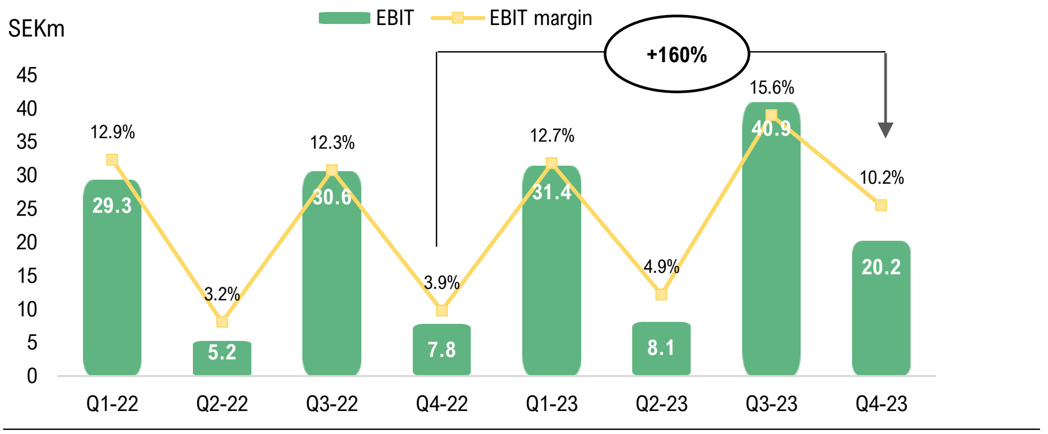
SEK 20.2M
OPERATING RESULT Q4-23

… as well as the Operating Result

For the fourth quarter, Björn Borg reported an operating result (EBIT) of SEK 20.2m, corresponding to an EBIT margin of 10.2%. Adjusting for currency tailwinds in the quarter, the operating result amounted to SEK 17.6m, corresponding to a currency-neutral EBIT margin of 7.7%. This outcome exceeded our expectations (SEK 11.5m) by 53%. Apart from the factors that positively influenced the gross margin, such as the aforementioned factors, the better-than-expected result was mainly attributed to lower other external costs (SEK 53m compared to SEK 57m) than estimated, as well as somewhat lower personnel costs (SEK 34m compared to SEK 35m). The quarter's channel mix played a role in this deviation from our estimates, alongside with reduced reserves for doubtful accounts receivables.

The quarter's profitability thus came as a positive surprise, indicating that Björn Borg has gained stronger momentum within its Own E-commerce than previously anticipated as of the end of 2023. Moving forward, we are inclined to adjust our estimates regarding the channel mix, which is likely to support a stronger operating result than previously forecasted.

+160%
INCREASE IN OPERATING RESULT Y-Y



Strong Cash Conversion during the Quarter

SEK 126.5M
FREE CASH FLOW Q4-23

In the fourth quarter, Björn Borg tends to free up a significant portion of its working capital, which also was the case for Q4-23. The company generated SEK 126.5m in free cash flow (FCFF) during Q4-23, with a substantial portion attributed to a reduction in working capital amounting to approximately SEK 106m. Although inventory increased by SEK 34m, reaching 21.1% of net sales for the quarter, this aligns with the Company's established business cycle and was largely consistent with our estimates. It's typical for Björn Borg's inventory levels to peak in the second and fourth quarters, while reaching their lowest points in the first and third quarters.

The cash flows generated in the fourth quarter surpassed projections, underscoring a high level of efficiency in working capital management. This bodes well for the upcoming quarters, particularly amidst an increasingly uncertain macroeconomic environment.

Moreover, the Company significantly reduced its debt position in Q4, primarily driven by robust cash conversion during the quarter. This enabled Björn Borg to repay its overdraft facility of SEK 104m. Consequently, the net debt position (including leasing liabilities) stood at SEK 56m at the end of Q4-23, down from SEK 180m in the previous quarter. This implies a solid and healthy financial position moving forward.

+50%
INCREASE IN DIVIDENDS FOR 2024

Another favorable aspect highlighted in the report, particularly from a shareholders' perspective, was the Board's proposal to increase dividends to SEK 3.00 for fiscal year 2024. This marks a significant 50% increase from 2023, amounting to a total of SEK 75.4m. This move underscores the Company's confidence in its balance sheet and its commitment to returning value to shareholders. Notably, the proposed dividend for the next fiscal year exceeded our forecasts, which initially was estimated to SEK 2.30. Originally, a distribution of SEK 3.00 was expected to occur in 2025, making this announcement a positive surprise for investors.

Comment on Year-End Report 2023, contd.

Concluding Remarks: Q4-Report

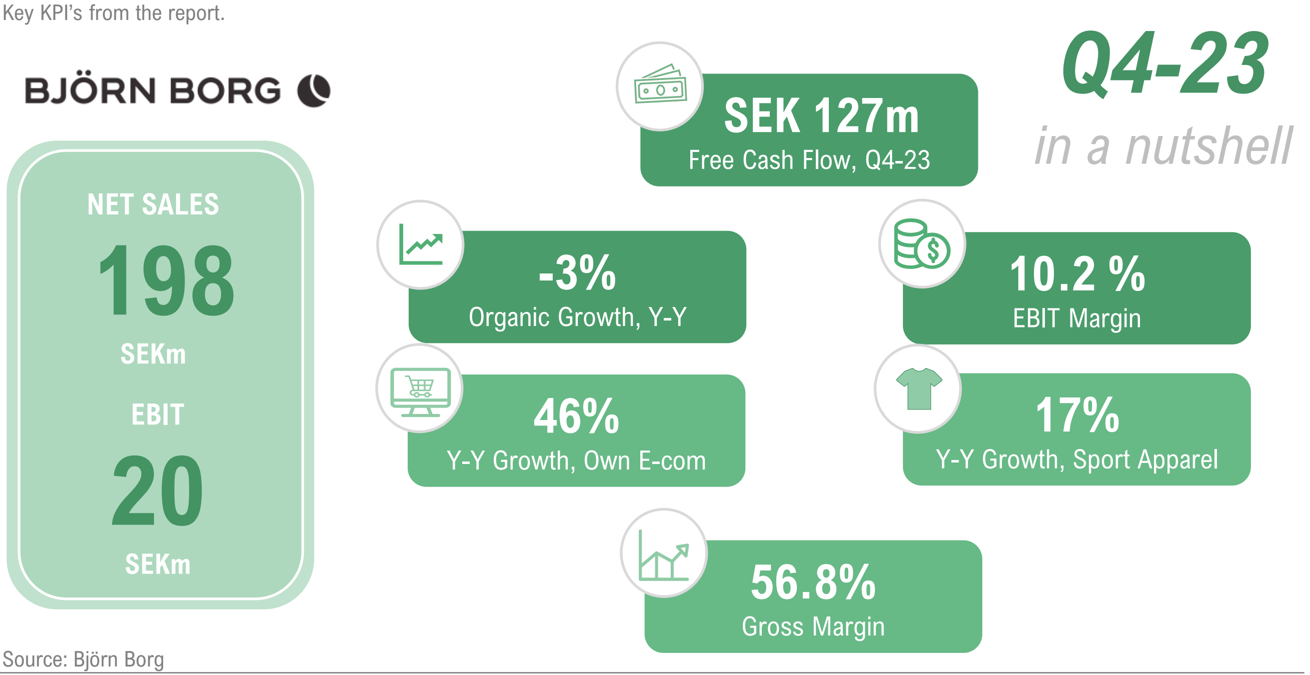
In conclusion, Björn Borg's performance in Q4-23 underscores its continued robust growth trajectory within Own E-commerce, signaling that investments in marketing and brand enhancement initiatives have yielded tangible results. Despite prevalent macroeconomic challenges such as inflation, increased interest rates, and geopolitical uncertainties, Analyst Group believes that Björn Borg has effectively navigated these obstacles, as evidenced by the stronger-than-expected operating result.

Moving forward, monitoring the performance of the Company's distributors, and tracking organic growth will be crucial factors. While sales growth may have fallen short of estimates, Analyst Group was impressed by the notable improvement in operating results during the quarter. As a result, upward adjustments tied to profitability are anticipated in the upcoming Equity Research Report.

	New Estimates		Old Estimates		Change (%)	
SEKm	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**
Net Sales	**914**	**975**	**923**	**985**	**-0.9%**	**-1.0%**
Gross Profit (adj.)	507	544	505	547	0.5%	-0.4%
Gross Profit (Currency-neutral)	507	544	505	547	0.5%	-0.4%
Gross Margin (adj.)	**55.5%**	**55.8%**	**54.7%**	**55.5%**	**0.8%**	**0.3%**
Gross Margin (Currency-neutral)	55.5%	55.8%	54.7%	55.5%	0.8%	0.3%
EBIT	**127**	**143**	**118**	**139**	**7.3%**	**3.2%**
EBIT (Currency-neutral)	127	143	118	139	7.3%	3.2%
EBIT margin (adj.)	**13.9%**	**14.7%**	**12.8%**	**14.1%**	**1.1%**	**0.6%**
EBIT margin (Currency-Neutral)	13.9%	14.7%	12.8%	14.1%	1.1%	0.6%

Overview of Björn Borg's Q4-report 2023

Key KPI's from the report.



Source: Björn Borg

Investment Thesis

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 was 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.

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

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

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 5.3% during 2023-2025, the Sports Apparel business is anticipated to demonstrate a more robust CAGR of 16.8%, outpacing the market growth, resulting in increased market shares for Björn Borg's sport apparel.

5.8%
CAGR
ACTIVE WEAR
(2022-2028)

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 127m (118) and a forward EV/EBIT multiple of 10.7x (10.5x), an Enterprise Value of SEK 1,356m (1,240) has been derived. After adjusting for estimated capital structure in 2024, Analyst Group sees a potential value of SEK 54.1 (47.8) per share. The relative valuation is substantiated by our DCF, indicating a value of 52.1 (48.2) per share.

SEK 54.1
PER SHARE
(BASE SCENARIO)

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.

FIECRCE COMPETITION AND EVER-EVOLVING FASHION LANDSCAPE

Company Description

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

THE GOAL NO.1 SPORTS FASHION BRAND

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.*

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*.

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*

2022
- Initiated energy reduction projects
- 2030 reduction model created

2025
- 50% renewable energy in tier 1
- No conventional cotton (2024)
- 80% sustainably sourced fibers

2030
- 50% reduction of 2020's emissions
- 100% sustainably sourced materials
- 100% renewable energy in tier 1 and 70% in tier 2-3
- 100% transparency in tier 1-3
- Living wage throughout tier 1

92% (2022) *EMPLOYEE ENGAGEMENT*

87% (2022) *TRUST IN MANAGEMENT*

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.

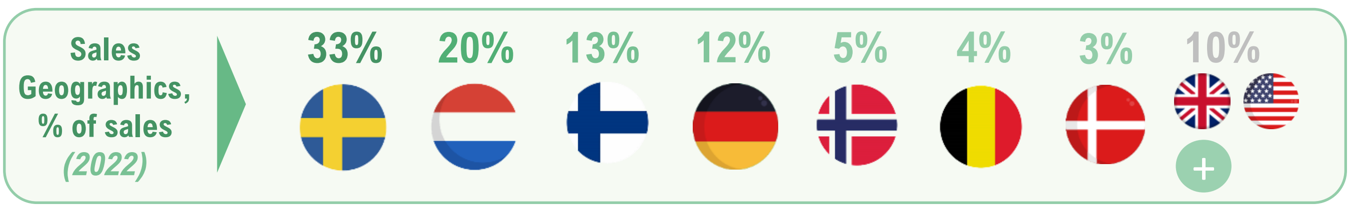
High employee engagement (87%) indicates a committed and motivated workforce. The employees' trust in management (92%) reflects the success of the Company's leadership in fostering a positive work environment, which, in turn, drives performance and shareholder value. Given the broad brand awareness for 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.

Company Description

Business Model

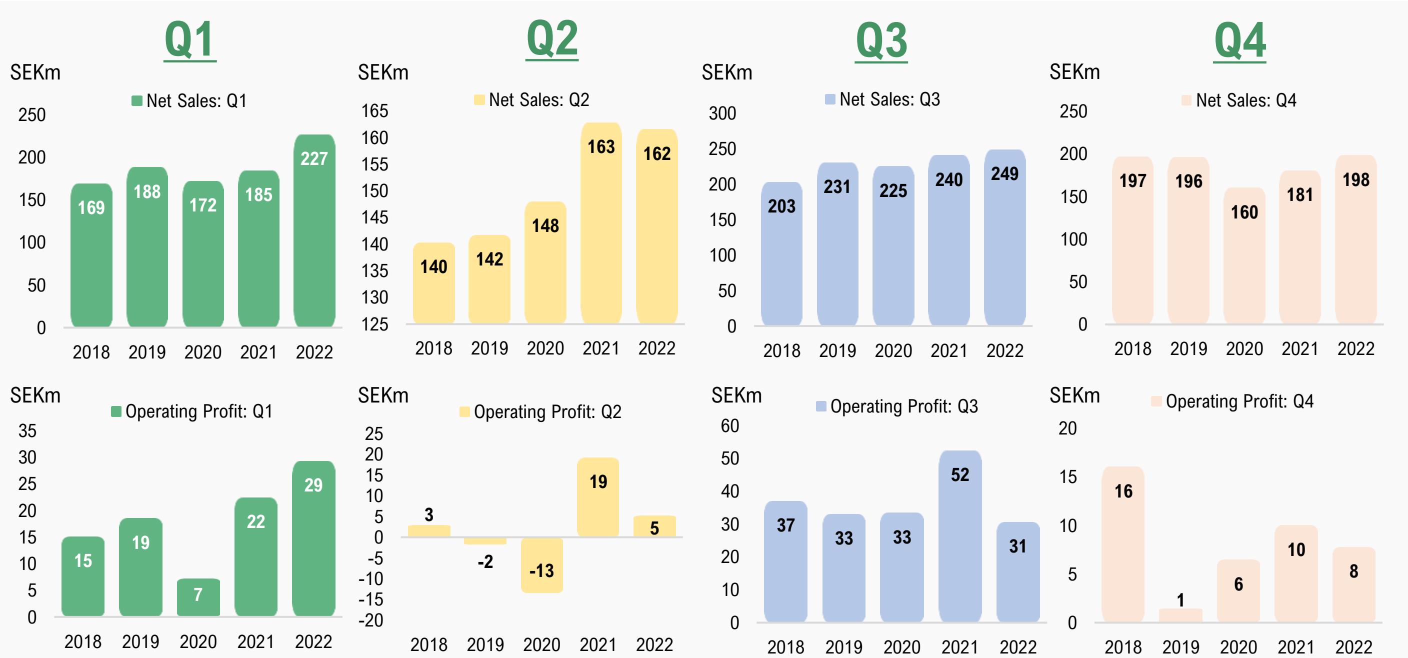
Over the years, Björn Borg has expanded its product range to include a wide array of sportswear, underwear, swimwear, footwear, bags and other accessories. In 2022, the underwear business constituted approx. 55% of the total revenues, while the corresponding share for Sport Apparel amounted to 19%, footwear 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'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.

BJÖRN BORG HAVE A DISTINCT SEASONAL PATTERN



Company Description

39%
IN ONLINE SALES (2023)

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 2023, online sales constituted approx. 39% 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 36% Y-Y in 2023. This, 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 2018-2023 the stores amount has decreased from 31 to 16 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

GROSS MARGIN IS SENSITIVE TO CURRENCY FLUCTUATIONS

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 2023, Björn Borg employed 151 individuals, making staff costs a substantial portion of operational expenses, accounting for 15% of net sales. Other operational expenses amounted to 22% of net sales in 2023, totaling SEK 206m. 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 2023.

THE COST STRUCTURE ENABLES INCREASED OPERATIONAL LEVERAGE

As fixed costs constitute a significant portion, roughly half 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.

2023A At a Glance

Revenue Mix
% of total sales

- **55%** *Underwear*
- **21%** *Sport Apparel*
- **24%** *Bags, Footwear, Glasses, and other products*

Channel Mix
% of total sales

- **65%** *Wholesale*
- **29%** *Consumer Direct*
- **5%** *Distributors*
- **1%** *Licensing*

Cost Structure
% of total sales

- **45%** *COGS*
- **24%** *Other Operating Expenses*
- **15%** *Staff Costs*
- **4%** *D&A*

Other

- **151** *Workforce*
- **16** *Number of Stores (Group-Owned)*

Company Description

1 – Low Risk | 10 – High Risk

Business Model – In Depth

Industry Dynamics: 5

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.

Business Lifecycle: 2

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.

Fragility: 5

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.

Market Swings: 6

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.

Revenue Mix and Income Consistency: 5

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

Dependency: 1

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.

Pricing Power: 5

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.

Operational Leverage: 5

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.

Financial Resource Commitment: 6

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.

Capital Requirements: 2

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.

Company Description

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[1]. Below these objectives are presented:

01 **>5%** Annual Sales Growth

02 **>10%** Annual Operating Margin

BJÖRN BORG

03 **>50%** Annual Dividend of Net Profit

04 **>35%** Equity Asset Ratio

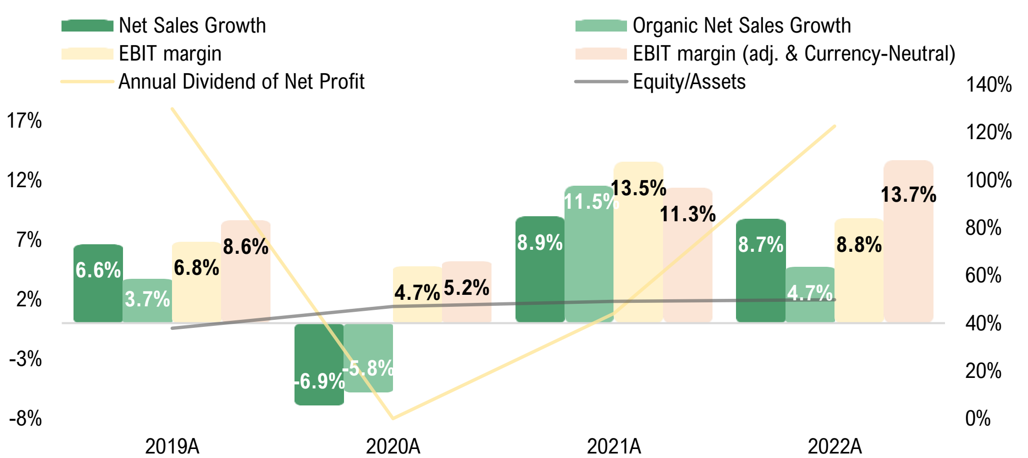
[1] In conjunction with the Q3 report (2023), the financial objectives were prolonged and are valid until further notice.

	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.[2]	11.2%	9.7%
Dividend of Net Profit	98.8%	74.1%
Equity/Asset	45.6%	45.9%

[2] Adjusted for Other Operating Income, Other Operating Expenses, and Currency-Effects

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

Market Analysis

Apparel Industry Characteristics

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

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 activates, 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.

USD 451bn
GLOBAL ACTIVEWEAR 2028E

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

Market Analysis

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*

[1] *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

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[1] 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 packageing. 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.

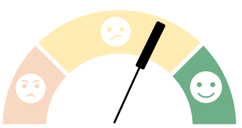
During 2021-2022, Björn Borg made substantial investments in community building, initiating multiple influencer collaborations across all the markets where the Company is active. This strategic upsurge in influencer marketing has firmly established Björn Borg's brand presence on social media platforms, 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.

Market Analysis

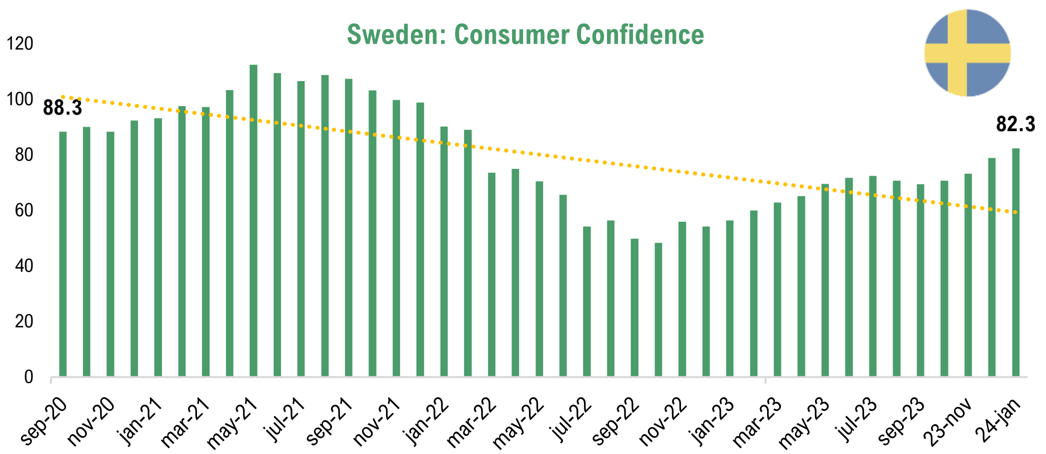
The Apparel Industry is Sensitive to Consumer Spending and Sentiment

The sports 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.

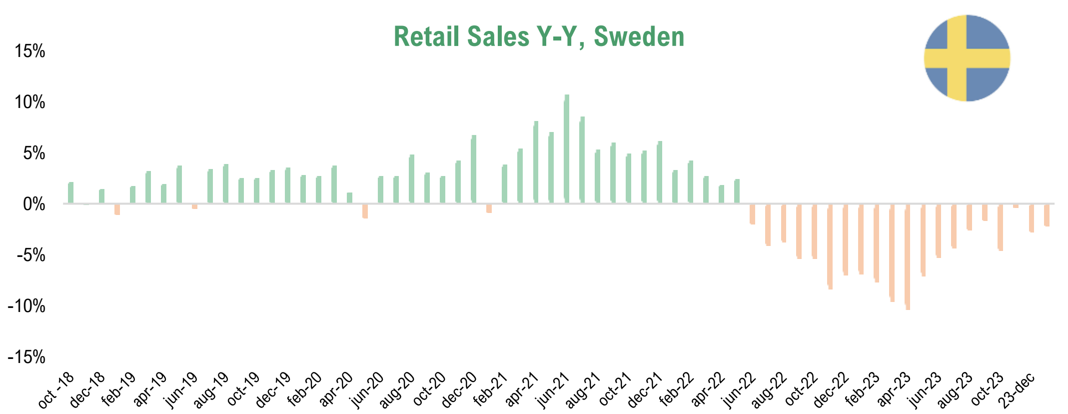
Consumer sentiment has deteriorated somewhat on a global basis as a result of recent rise in interest rates, high inflation, geopolitical uncertainty, volatile energy prices, and a general economic downturn. These events has also impacted consumers disposable income which, in turn, has affected retail 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.



Somewhat soft consumer confidence



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

Financial Forecast

Historical Performance

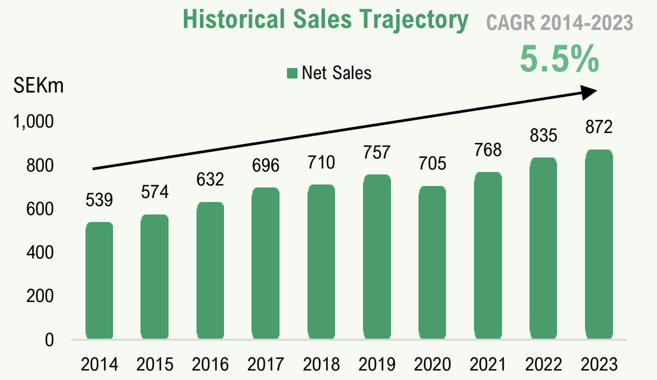
Björn Borg is a well-established company with decades of history. Hence, it is not in its early stages of development but rather in a mature phase, which becomes evident when studying growth rates, profitability, CAPEX-levels, cash flow, and other financial metrics. From 2014 to 2023, Björn Borg grew net sales with an annual compounding rate (CAGR) of 5.5%, accompanied by a relatively stable operating margin of approx. 7-10%, and a gross margin between 52-55%.

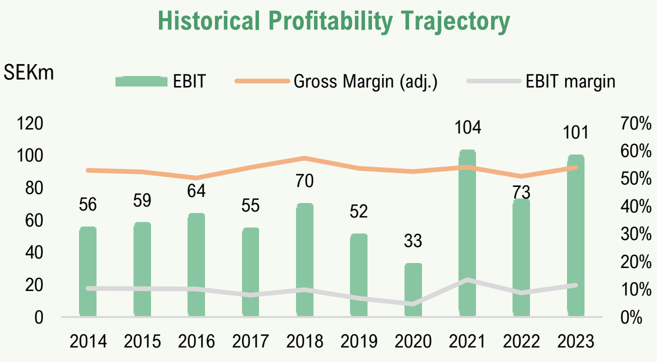
However, due to its relatively small size compared to the bigger players within sports apparel, accessories and underwear, (e.g. Nike, Adidas, Lululemon), it leaves a higher potential to gain market shares. For obvious reasons, it is far easier to scale from SEK 800m to SEK 1,600m, than to scale from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

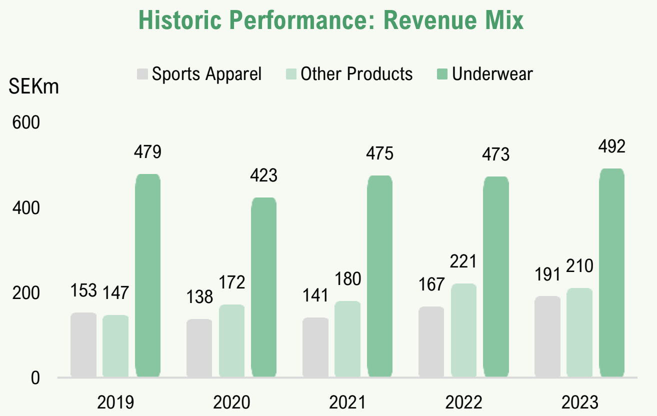
Since its inception, Björn Borg has more or less been solely associated with being a men's underwear company, which the Company up to this date still are to a large extent. However, the underwear share of total sales have been declining in recent years, from 62% in 2019 to approx. 55% in 2023, while 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. 21% in 2023.

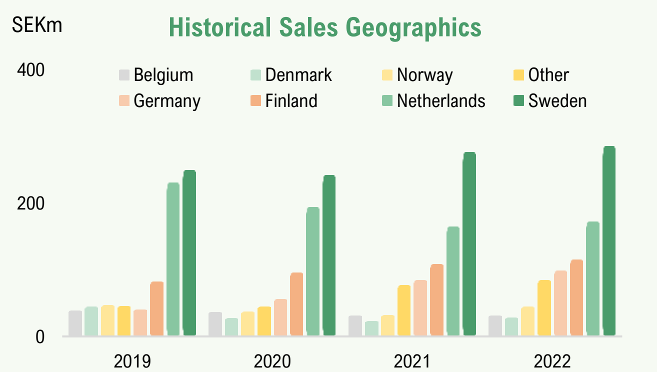
By successfully achieving a category move in consumers perception of Björn Borg as a brand, from men's underwear to a sports fashion brand, Björn Borg has a great potential to increase sales. It also simplifies the introduction of new product categories when being perceived as a sports fashion brand, 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 23% in 2018 to 41% in 2023 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.





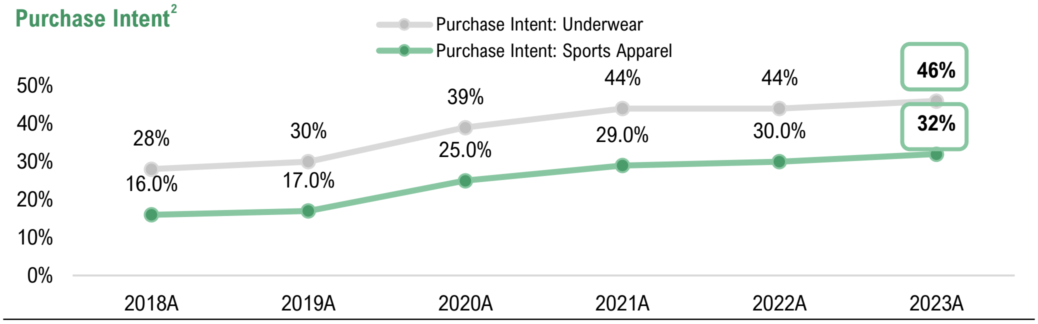




Category Move will be a Main Key Revenue Driver to Support Profitable Growth

BJÖRN BORG IS A PREFERRED BRAND AMONG CONSUMERS

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[1], while the overall purchase intent has shown great progress recent years.



[1] Source: Björn Borg
[2] Source: Björn Borg

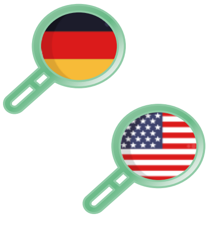
Moreover, looking ahead, new and successful collection launches will continue to be a vital component in staying relevant and attractive as a brand. Innovations in design, functionality, and style are key in meeting the evolving tastes of consumers. Furthermore, the Company's dedication to sustainability 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 his 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 allocate 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

MARKETS IN FOCUS COMING YEARS



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.

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.

Financial Forecast

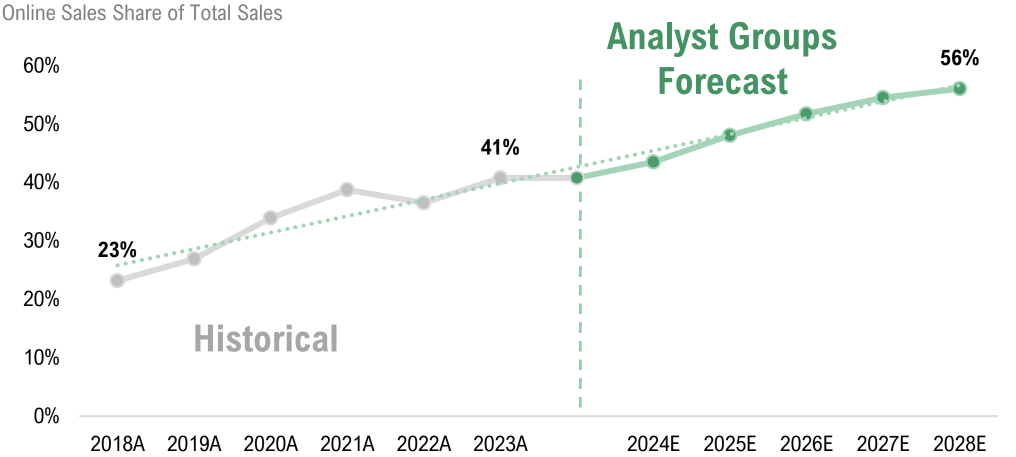
Online Sales Share 2018A-2028E

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



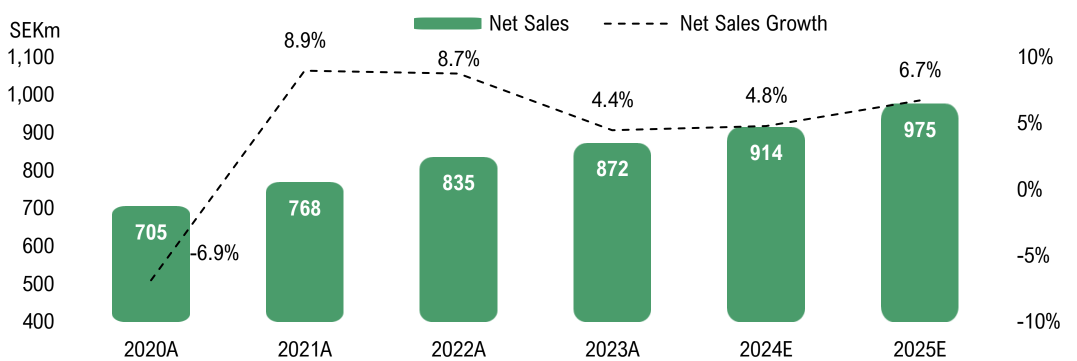
Source: Björn Borg and Analyst Group

4.8%
NET SALES GROWTH (2024E)

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 4.4% net sales growth in 2023, whereof 0.7% were organic. 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. In 2024, Björn Borg is estimated to demonstrate a net sales growth of 4.8%, primarily driven by the Sport Apparel Business, Own E-commerce, 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 5.3%. Below, our net sales projections to 2025 are displayed, with further details on revenue mix, channel mix, and sales geographics on page 19.

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 5.3% 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.

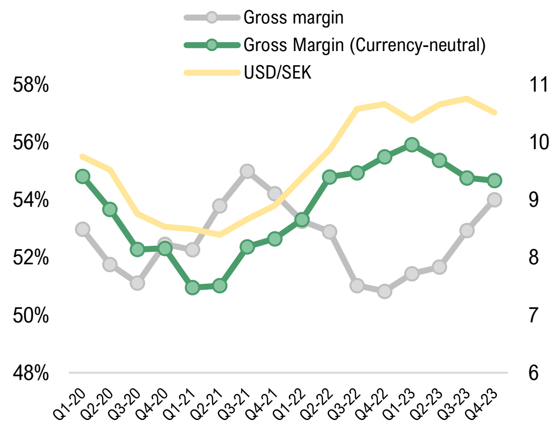
Estimated Currency Impact

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

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.

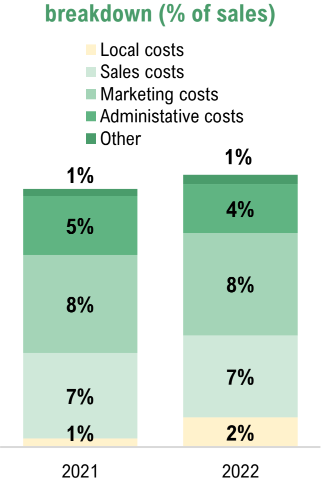
Currency-Effects, LTM (Gross Margin)



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 2024, we estimate a gross margin of 55.5% and in 2025, we see a gross margin in the 55-56%-area, due to above-mention factors, however, in 2028, the gross margin is expected to reach 56.6% as the Sports Apparel grows in scale, together with an improved channel mix.

Operating Expenses: Other Operational Expenses

Other external costs - breakdown (% of sales)



On an OPEX-level, other external costs constitutes the largest expense, amounting to SEK 206m in 2023. 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 efficacies 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.

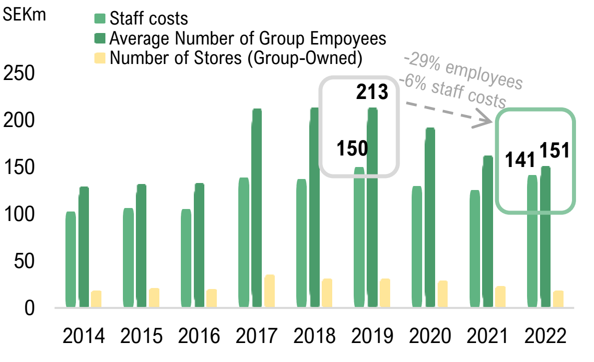
Financial Forecast

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 was not fully reflected the staff costs in 2022 was 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 renumeration 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. In 2023, the staff costs amounted to SEK 135m, representing a 4% decrease.

Staff Costs: 2014-2022



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 1.2 % 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.

Financial Forecast

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[1] 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.

[1]COGS/Average Inventory

However, when considering sports fashion brands such as Lululemon, Adidas, Nike, and Under Armour[2] 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.

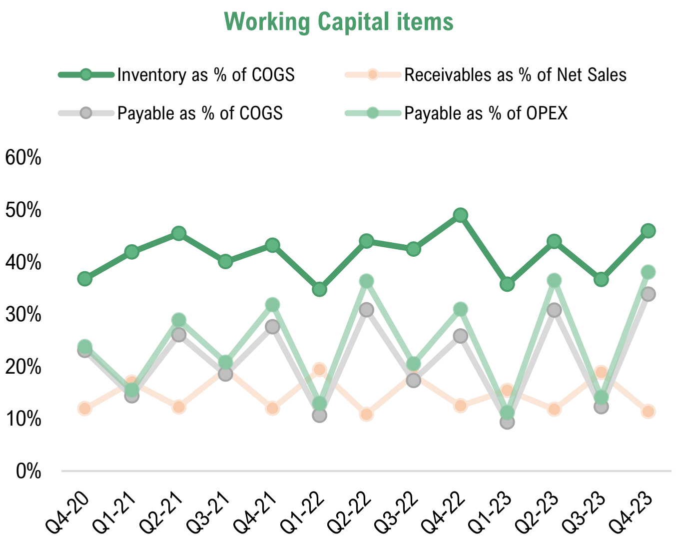
[2]For this comparison, Analyst Group has, in addition to mentioned sports fashion brand, studied Puma, FILA and Columbia Sportswear

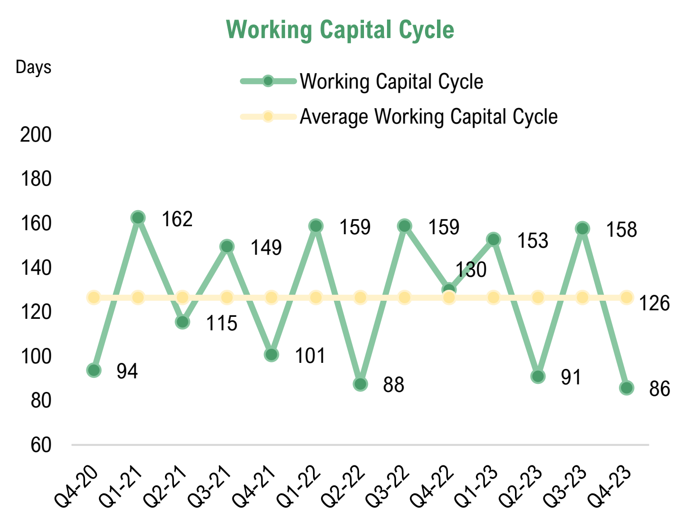
Furthermore, a strong growth in own E-commerce and in countries like the US will require a higher capital commitment, as Björn Borg needs to be able to deliver on the increased demand for various products and collections, resulting in increased inventory levels, which is a future development that Analyst 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 126 days when studying at a quarterly basis (Q4-20 to Q4-23) and 123 days on an annual basis (2018-2023). In 2023, the corresponding figure amounted to 86 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 shorter 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

Financial Forecast

SEK 101m OPERATING PROFIT (2023)

SEK 143m OPERATING PROFIT (2025E)

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

In 2023, Björn Borg reported an operating profit of SEK 101m, corresponding to an operating margin of 11.5%. Currency-Neutral, the operating profit for the full year 2023 would have landed on approx. SEK 96m, translating to an operating margin of 10.5%, marking a solid improvement from historical years, with the operating margin hovering between 7-9%. This development is a result of increased economies of scale, reduction in workforce, as well as an improved revenue and channel mix.

For the fiscal year 2024, Analyst Group estimates an EBIT of SEK 127m, corresponding to an EBIT margin of 13.9%, and represents a robust 26.1% EBIT growth Y-Y. The estimated EBIT for 2024 signifies an 7% upward adjustment from prior forecast (SEK 118m), primarily supported by an enhanced channel mix, with e.g. increased estimated revenues from Own E-commerce.

In coming years, 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 a further 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 14.7% (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.

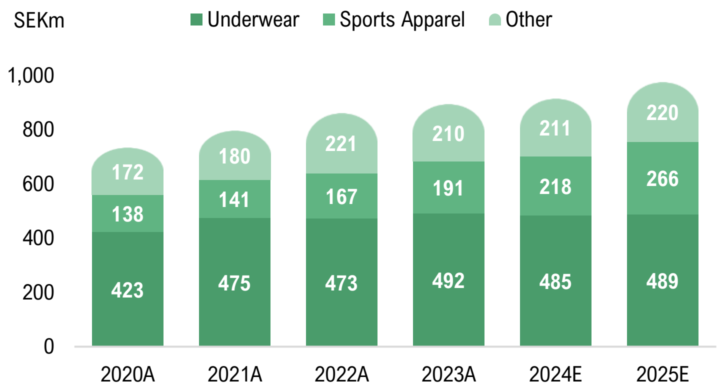
Base scenario SEKm	2020A	2021A	2022A	2023A	2024E	2025E
Net Sales Growth	*-6.9%*	*8.9%*	*8.7%*	*4.4%*	*4.8%*	*6.7%*
Net Sales	705	768	835	872	914	975
Other Operating Income	29	28	26	20	0	0
Total Sales	**734**	**796**	**861**	**892**	**914**	**975**
COGS	-335	-352	-411	-401	-407	-431
COGS (Currency-Neutral)	-339	-362	-372	-395	-407	-431
Gross Profit	**399**	**444**	**450**	**491**	**507**	**544**
Gross Profit (Currency-Neutral)	**395**	**434**	**489**	**496**	**507**	**544**
Gross Margin (adj.)	52.5%	54.2%	50.8%	54.0%	55.5%	55.8%
Gross Margin (adj. & Currency-Neutral)[1]	51.9%	52.9%	55.5%	54.7%	55.5%	55.8%
Other External Expenses	-159	-158	-181	-206	-212	-224
Staff Costs	-130	-126	-141	-135	-138	-146
Other Operating Expenses	-36	-21	-20	-16	0	0
SG&A	-325	-305	-342	-357	-350	-371
EBITDA	**74**	**139**	**108**	**134**	**157**	**174**
EBITDA (Currency-Neutral)	**70**	**129**	**147**	**139**	**157**	**174**
EBITDA-margin	10.5%	18.1%	12.9%	15.3%	17.2%	17.8%
EBITDA -margin (adj. & Currency-Neutral)[1]	11.0%	15.9%	16.9%	15.5%	17.2%	17.8%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-33	-30	-30
EBIT	**33**	**104**	**73**	**101**	**127**	**143**
EBIT (Currency-Neutral)	**29**	**94**	**120**	**96**	**127**	**143**
EBIT-margin	4.7%	13.5%	8.8%	11.5%	13.9%	14.7%
EBIT-margin (adj. & Currency-Neutral)[1]	5.2%	11.3%	13.7%	10.5%	13.9%	14.7%
Financial items, net	-16	3	-2	-3	-1	-2
EBT	**17**	**107**	**71**	**98**	**126**	**142**
Tax	1	-21	-20	-22	-26	-29
Net profit	**18**	**86**	**51**	**76**	**100**	**112**
Net margin	-1.5%	7.5%	3.0%	6.5%	11.0%	11.5%

[1] Gross Margin: Adjusted for Other Operating Income and Currency-Effects. EBITDA/EBIT: Adjusted for Other Operating Income and Other Operating Expenses and Currency-Effects.

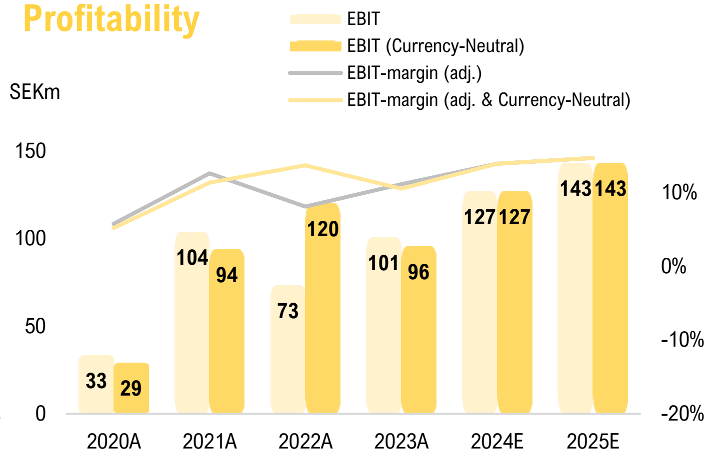
Financial Forecast

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.

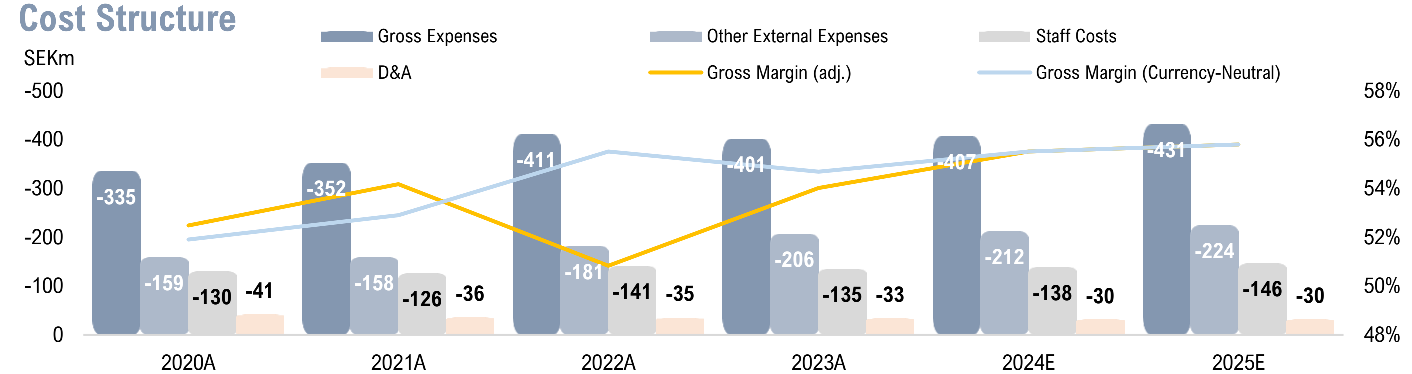
Revenue Mix



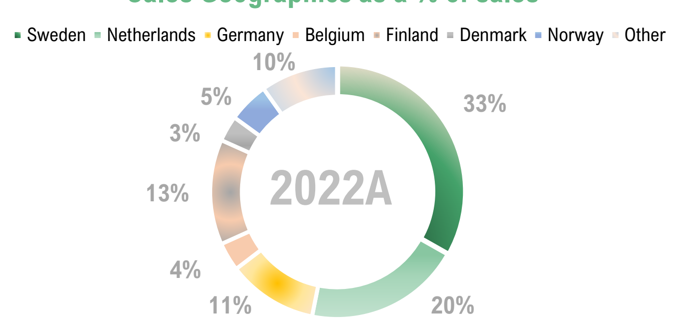
Profitability



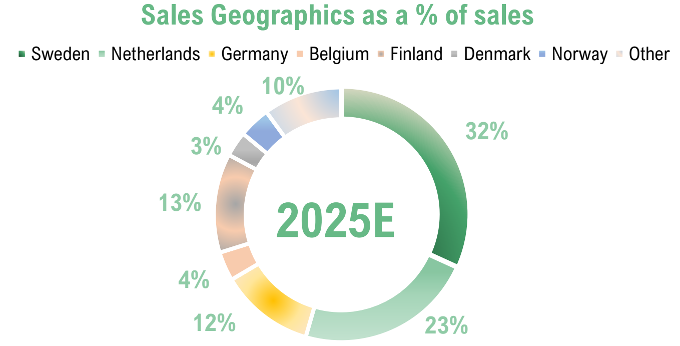
Cost Structure



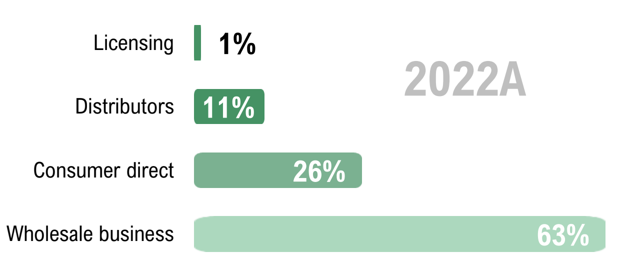
Sales Geographics as a % of sales



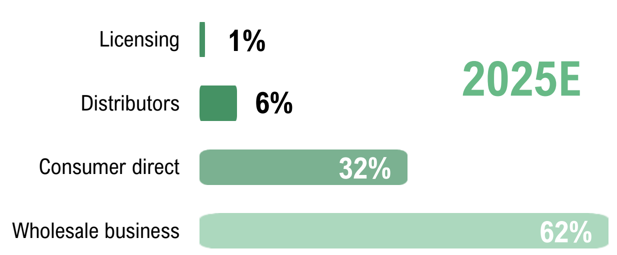
Sales Geographics as a % of sales



Channel Mix as a % of total sales



Channel Mix as a % of total sales



Valuation

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 3Y EBIT growth, gross margin, EBIT margin, Equity Ratio, debt ratio, and asset turnover, its 3Y 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	**7.3%**	27.8%	5.8%	5.0%	-8.8%	19.0%	9.9%	11.7%	**10.1%**	**9.9%**
Net Sales Growth, Y-Y	**4.4%**	23.0%	-2.8%	5.0%	-0.6%	9.7%	-1.0%	0.7%	**4.9%**	**0.7%**
EBIT Growth, 3Y	**44.0%**	33.4%	n.a.	-4.4%	192.1%	39.6%	-2.0%	34.7%	**48.9%**	**34.1%**
EBIT Growth, Y-Y	**37.9%**	26.3%	n.a.	-5.0%	5.5%	-14.3%	-28.0%	-21.8%	**-6.2%**	**-9.7%**
Gross Margin	**54.0%**	57.0%	46.2%	44.0%	45.7%	45.6%	47.8%	49.6%	**48.0%**	**46.2%**
EBIT Margin	**11.5%**	21.9%	-0.1%	11.8%	4.7%	6.4%	8.1%	9.6%	**8.9%**	**8.1%**
Equity Ratio	**55.6%**	59.0%	28.0%	38.0%	43.0%	40.0%	53.4%	66.0%	**46.8%**	**43.0%**
Net Debt/EBITDA	**0.4**	0.0	3.7	0.3	2.1	1.5	1.5	-0.8	**1.2**	**1.5**
Debt Ratio	**0.8**	0.7	2.5	1.6	1.3	1.5	0.4	0.5	**1.2**	**1.3**
Asset Turnover	**1.3**	1.5	1.2	1.4	1.1	1.3	0.8	1.2	**1.2**	**1.2**
Days Working Capital	**35.6**	32.8	9.1	40.4	39.0	53.1	62.9	68.5	**43.7**	**40.4**
EV/EBITDA	**9.9**	24.6	35.7	24.1	11.8	11.9	8.3	10.2	**18.1**	**11.9**
EV/EBIT	**13.2**	28.9	-2089.0	27.1	16.7	12.6	11.5	14.0	**-282.6**	**14.0**
EV/S	**1.5**	6.3	1.4	3.2	0.8	0.8	0.9	1.4	**2.1**	**1.4**
Market Cap (SEKm)	**1,308**	571,598	378,127	1,650,101	37,833	70,167	19,091	51,612	**396,933**	**70,167**

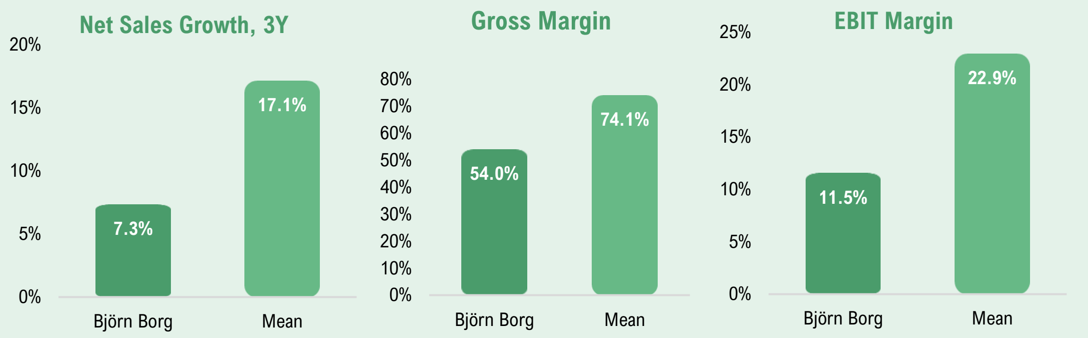
Valuation

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)

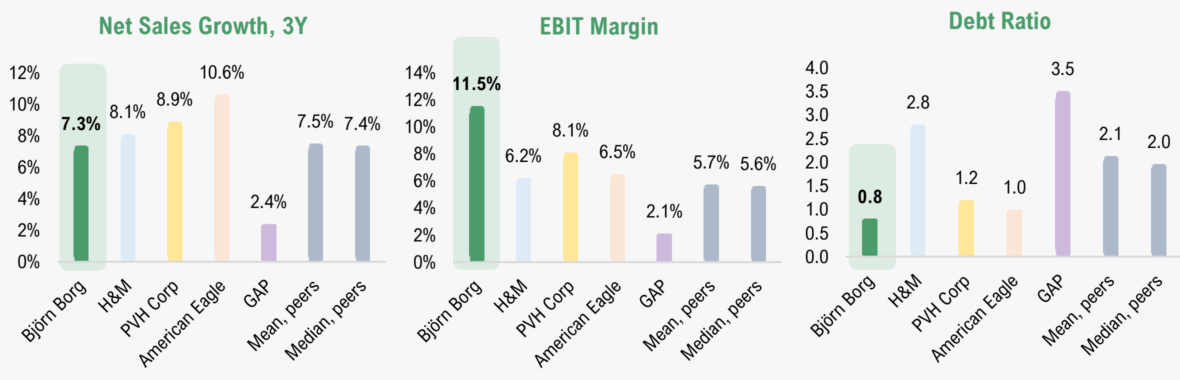


Retail

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
(LTM)



Valuation

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.

aim'n

100%

CAGR 2016-2022 (Revenue)

~580K

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

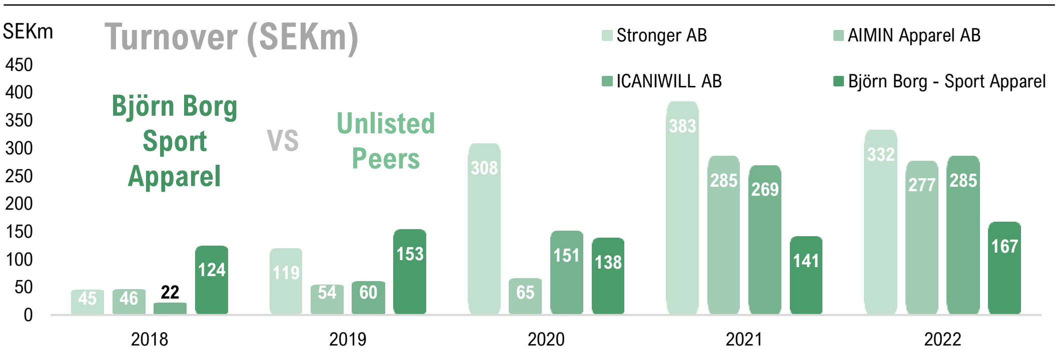
ICANIWILL AB, a Swedish company, is a prominent player in the fitness and activewear industry. Founded with a vision of promoting motivation and confidence through fitness, ICANIWILL offers a range of high-quality workout apparel and accessories. Since its inception in 2012, the brand has gained recognition 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[1])*
Stronger	-6,1%	14,9%
Aimn	0,5%	22,9%
ICANIWILL	6,4%	7,6%

[1]Since each company's inception.



Source: Björn Borg and Allabolag

BJÖRN BORG

~170K

Valuation

Valuation: All Put Together

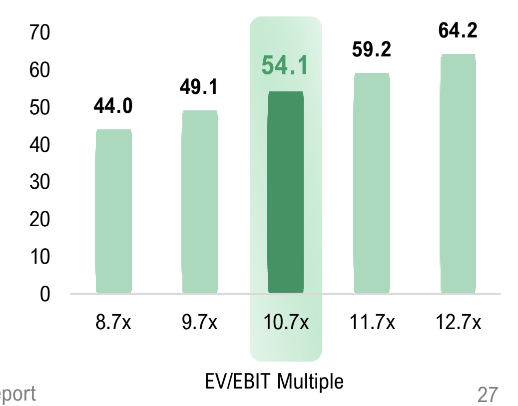
Company	Equity Value (SEKm)	Enterprise Value (SEKm)	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBIT 2024E	EV/EBIT 2025E	Revenue CAGR 2023-2025E	EBIT CAGR 2023-2025E	Gross Margin 2024E	Gross Margin 2025E	EBIT Margin 2024E	EBIT Margin 2025E
Sports Apparel												
Lululemon	571,598	572,392	18.8x	16.5x	21.9x	19.2x	15.1%	17.3%	58.4%	58.5%	23.1%	23.4%
Adidas	378,127	431,219	16.9x	11.2x	38.0x	20.2x	4.2%	42.0%	48.4%	49.8%	4.2%	7.5%
Nike	1,650,101	1,673,299	19.3x	17.0x	21.4x	18.7x	5.1%	13.7%	48.8%	46.1%	13.8%	14.6%
Under Armour	37,833	42,305	8.1x	7.3x	11.5x	10.0x	1.2%	10.6%	46.5%	46.8%	6.1%	6.7%
PUMA	70,167	89,865	6.7x	5.9x	10.0x	8.6x	7.6%	13.7%	47.1%	47.6%	8.3%	8.9%
FILA	19,091	24,375	5.0x	4.6x	6.3x	5.6x	0.9%	9.2%	49.4%	49.1%	11.9%	12.9%
Columbia Sportswear	51,612	47,931	11.6x	10.2x	17.0x	14.1x	1.3%	-8.4%	50.6%	51.0%	8.0%	9.2%
Luxury Brands												
LVMH	4,754,205	5,063,266	15.2x	14.1x	18.9x	17.3x	7.3%	7.7%	68.6%	68.7%	26.4%	26.9%
Kering	585,954	740,981	10.6x	9.3x	12.6x	11.4x	1.9%	1.3%	75.8%	75.9%	26.2%	27.0%
Moncler	196,347	200,717	14.0x	12.6x	18.9x	17.0x	10.6%	11.0%	77.0%	77.2%	29.7%	30.1%
Burberry	61,120	72,715	6.5x	6.0x	11.6x	10.0x	2.0%	-4.2%	69.5%	69.7%	15.6%	17.0%
Tapestry	114,814	134,166	8.5x	8.1x	9.7x	9.2x	3.1%	6.6%	72.8%	72.8%	19.2%	19.5%
Prada	188,082	209,385	10.0x	9.2x	16.6x	14.9x	8.8%	14.2%	79.6%	79.7%	22.4%	23.1%
Ralph Lauren	124,200	132,882	11.1x	10.2x	14.0x	12.7x	4.1%	9.7%	66.6%	66.9%	13.3%	14.0%
Retail												
H&M	202,663	254,235	6.0x	5.7x	11.5x	10.8x	4.2%	48.5%	52.7%	53.1%	8.9%	9.3%
PVH Corp	83,594	117,748	8.9x	8.4x	11.6x	10.8x	2.1%	7.4%	58.6%	59.2%	10.7%	11.0%
American Eagle	47,496	57,610	8.8x	8.5x	14.0x	13.5x	3.4%	15.3%	38.5%	38.8%	7.5%	7.5%
GAP	74,366	117,639	10.2x	9.4x	18.9x	16.2x	-1.0%	18.2%	38.2%	38.2%	4.0%	4.6%
Maximum	4,754,205	5,063,266	19.3x	17.0x	38.0x	20.2x	15.1%	48.5%	79.6%	79.7%	29.7%	30.1%
75th Percentile	334,261	386,973	13.4x	11.0x	18.9x	16.8x	6.8%	15.0%	69.3%	69.5%	21.6%	22.2%
Median	**119,507**	**133,524**	**10.1x**	**9.3x**	**14.0x**	**13.1x**	**3.7%**	**10.8%**	**55.6%**	**55.8%**	**12.6%**	**13.5%**
Mean	**511,743**	**554,596**	**10.9x**	**9.7x**	**15.8x**	**13.3x**	**4.6%**	**13.0%**	**58.2%**	**58.3%**	**14.4%**	**15.2%**
25th Percentile	63,382	77,003	8.2x	7.5x	11.5x	10.2x	1.9%	7.4%	48.5%	47.9%	8.1%	9.0%
Minimum	19,091	24,375	5.0x	4.6x	6.3x	5.6x	-1.0%	-8.4%	38.2%	38.2%	4.0%	4.6%
Björn Borg	**1,308**	**1,324**	**7.6x**	**7.1x**	**10.4x**	**9.2x**	**5.3%**	**25.0%**	**55.5%**	**55.8%**	**13.9%**	**14.7%**

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. 4-5% 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: 18.0x, SA median: 17.0x & LB mean: 14.6x, LB median: 14.0x). 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 6.0%, 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 47% 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 segment. 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 10.7x (10.5) on FY2024 estimates is reasonable. Given the applied multiple and estimated EBIT for 2024 of SEK 127m (118), coupled with the assumed capital structure at the end of 2024, a potential value of SEK 54.1 (47.8) per share is derived.

Applied Forward EV/EBIT Multiple (2024) & Share Price



Valuation

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. According to the regression analysis with regards to all peers, Björn Borg should be valued at a LTM EV/S multiple of 2.1x, equivalent to a share price of SEK 71.7. 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 0.76, which ultimately means that 76% 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 0.39. According to the regression, Björn Borg should trade at a LTM EV/EBIT multiple of 27.8x and a share price of SEK 110.5, given the estimated CAGR in EBIT during 2023-2025 (25.0%). 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 6.0%, implying a LTM EV/EBIT multiple of 16.1x and a share price of SEK 63.9.

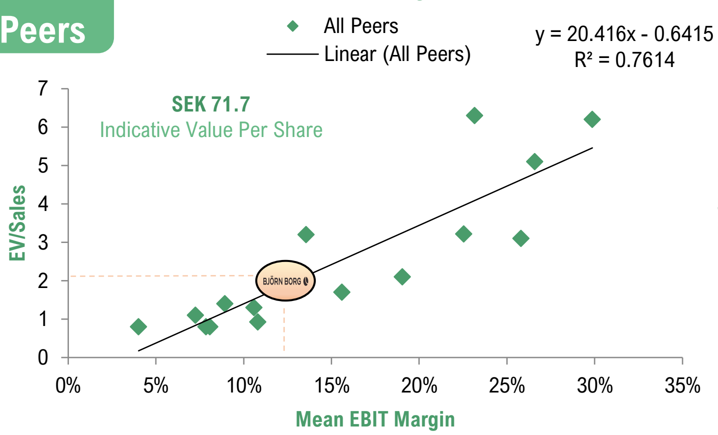
Regression Analysis: Sports Apparel Peers

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 (0.96 vs 0.76). According to the regression analysis, Björn Borg should trade at a LTM EV/S multiple of 2.7x and a share price of SEK 93.5, and at a LTM EV/EBIT multiple of 25x/17.1x and a share price of SEK 99.3/SEK 67.7, given the same reasoning on EBIT as mentioned above.

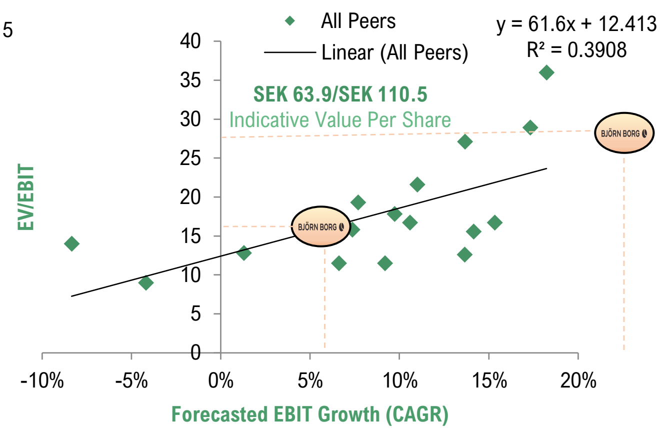
The regression analysis has been employed to provide additional perspective but is not used to derive a valuation for Björn Borg.

All Peers

EV/S vs mean EBIT Margin 2023-2025

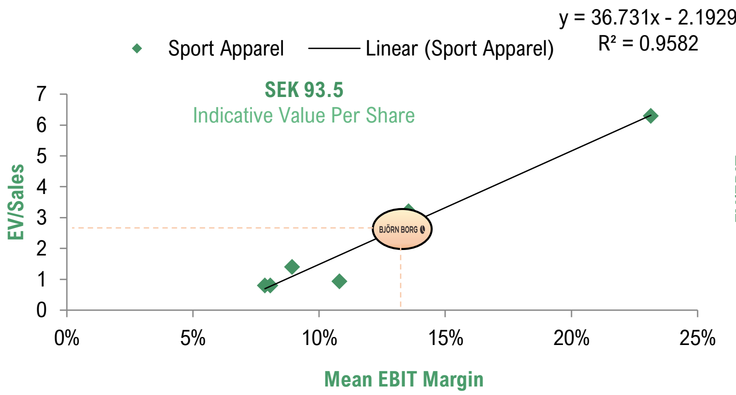


EV/EBIT vs Forecasted EBIT Growth 2023-2025

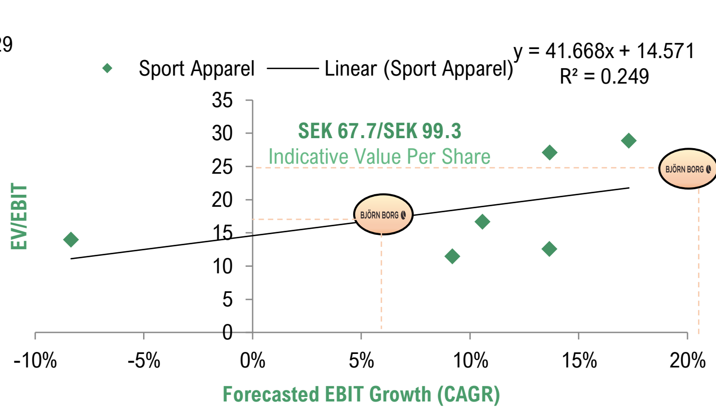


Sport Apparel

EV/S vs Mean EBIT Margin 2023-2025



EV/EBIT vs Forecasted EBIT Growth 2023-2025



Valuation

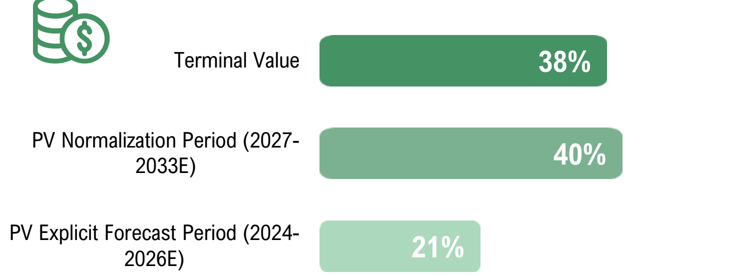
Discounted Cash Flow Analysis (DCF)

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[1], and a terminal period. During the explicit forecast period, Björn Borg is estimated to achieve an organic CAGR in net revenue of 5.3%. Furthermore, the Company is expected to increase the EBIT margin from 10.5%[2] in 2023 to 14.7% 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 17.3% 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. 10-11%, 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 52.1 (48.2) per share.

Cash Flow Distribution



Free Cash Flow Margin Profile is Strong When Compared to Peers

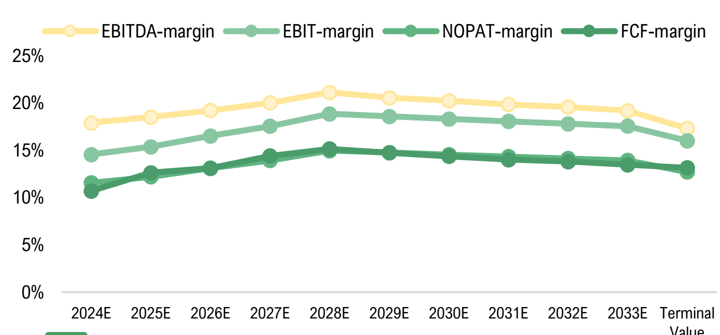
From 2018 to 2022, Björn Borg demonstrated an average FCF-margin of 10.6%, surpassing the average for sport apparel peers (7.5%), signifying a superior capability to generate FCF from sales. With the enhanced profitability that Analyst Group forecast, the FCF-margin is expected to climb, reaching a peak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

DCF Input	
Net Sales, CAGR 2023-2025E	5.3%
Net Sales, CAGR 2026-2028E	3.7%
Net Sales, CAGR 2029-2032E	3.5%
EBIT Growth, CAGR 2023-2025E	25.0%
EBIT Growth, CAGR 2026-2028E	9.5%
EBIT Growth 2029-2033E	2.0%
Working Capital (as a % of Net Sales, 2029-2033E)	10.4%
Capex (as a % of Net Sales, 2029-2033E)	1.2%
D&A (as a % of Net Sales, 2029-2033E)	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)	10.4%
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	1.3%
Cost of Equity	11.7%
Target Debt/(Debt+Equity)	3.2%
Cost of Debt (after tax)	7.7%
WACC	**11.6%**
Valuation Summary (SEKm)	
PV Explicit Forecast Period (2023-2025E)	283.8
PV Normalization Period (2026-2032E)	534.4
Terminal Value	507.4
Terminal Value as a % of Enterprise Value	*38.3%*
Total Enterprise Value	**1,325.5**
Net Debt, Q4-23	16.2
Total Equity Value	1,309.3
Outstanding Shares (in millions)	25.1
Equity Value Per Share	**52.1**

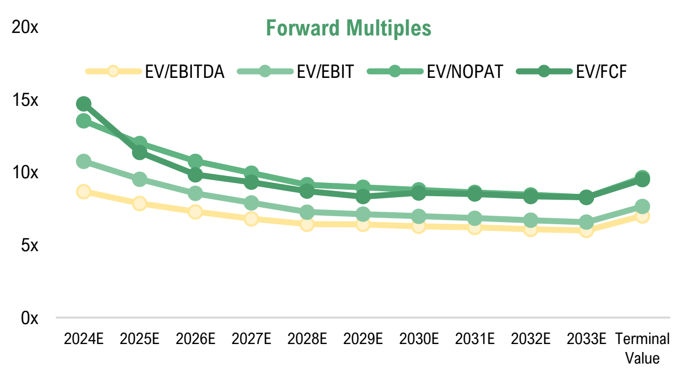
Average 2018-2022	*EBIT Margin*	*FCF Margin*
	9.6%	*10.6%*

[1] Consisting of two time periods, 2026-2028E and 2029-2033E.
[2] Estimated EBIT margin (adj. & Currency-Neutral)

Profitability



Forward Multiples



Valuation

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 54.1 and SEK 50.1 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 54.9 and SEK 49.2, 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

WACC	0.0%	1.0%	**2.0%**	3.0%	4.0%
9.6%	59.0	61.8	65.4	70.0	76.3
10.6%	53.3	55.4	58.0	61.2	65.5
11.6%	48.6	50.1	**52.1**	54.4	57.4
12.6%	44.6	45.8	47.2	49.0	51.2
13.6%	41.2	42.1	43.2	44.6	46.2

EBIT Margin (terminal period)

WACC	10.0%	12.0%	**14.0%**	16.0%	18.0%
9.6%	56.8	61.1	65.4	69.7	74.0
10.6%	51.0	54.5	58.0	61.4	64.9
11.6%	46.4	49.2	**52.1**	54.9	57.7
12.6%	42.5	44.9	47.2	49.6	52.0
13.6%	39.3	41.3	43.2	45.2	47.2

Source: Analyst Group

Concluding Remarks: Valuation

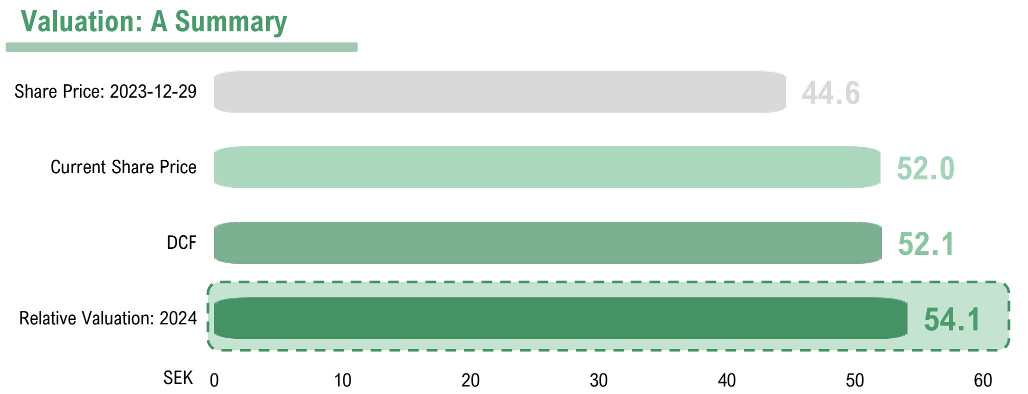
To derive a valuation for Björn Borg, Analyst Group has used two valuation methods; Relative Valuation and a Discounted Cash Flow Analysis. The relative valuation indicates a share price of SEK 54.1 (47.8), using a forward EV/EBIT multiple of 10.7x on FY2024 estimated EBIT of SEK 127m (118m). The applied multiple corresponds to a -24% 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 6.0% when excluding currency-effects, which, in turn, is below the peers' median value of 13.7%.

SEK 54.1
PER SHARE
BASE SCENARIO

Our DCF shows a value per share of SEK 52.1 (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 FCFF 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 54.1 (47.8), which we have support for in our DCF.

Based on a Relative Valuation, Analyst Group Sees a Motivated Value Per Share of SEK 54.1 for Björn Borg.

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



Source: Analyst Group

Bull & Bear

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 136m (131m) for the fiscal year 2024, and, applying a forward EV/EBIT multiple of 11.7x (11.5x), a share price of 63.7 (58.8) has been derived in a Bull scenario.

Bull Scenario

Estimated EBIT 2024E

SEK 136m

Applied EV/EBIT Multiple

11.7x

Potential Share Price

SEK 63.7

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 relative-ely 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 98m (93m) for the fiscal year 2024, and, applying a forward EV/EBIT multiple of 9.7x (9.5x), a share price of SEK 37.3 (32.4) has been derived in a Bear scenario.

Bear Scenario

Estimated EBIT 2024E

SEK 98m

Applied EV/EBIT Multiple

9.7x

Potential Share Price

SEK 37.3

Management & Board

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%)

Management & Board

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 Qvartz, 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 Lövstedt – Director

Fredrik Lövstedt, 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%)

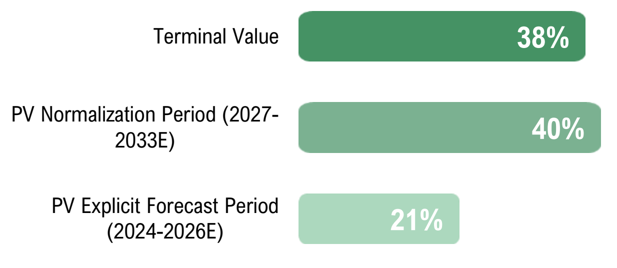
Appendix

Base scenario SEKm	2020A	2021A	2022A	2023A	2024E	2025E
Net Sales Growth	*-6.9%*	*8.9%*	*8.7%*	*4.4%*	*4.8%*	*6.7%*
Net Sales	705	768	835	872	914	975
Other Operating Income	29	28	26	20	0	0
Total Sales	**734**	**796**	**861**	**892**	**914**	**975**
COGS	-335	-352	-411	-401	-407	-431
COGS (Currency-Neutral)	-339	-362	-372	-395	-407	-431
Gross Profit	**399**	**444**	**450**	**491**	**507**	**544**
Gross Profit (Currency-Neutral)	**395**	**434**	**489**	**496**	**507**	**544**
Gross Margin (adj.)	52.5%	54.2%	50.8%	54.0%	55.5%	55.8%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	54.7%	55.5%	55.8%
Other External Expenses	-159	-158	-181	-206	-212	-224
Staff Costs	-130	-126	-141	-135	-138	-146
Other Operating Expenses	-36	-21	-20	-16	0	0
SG&A	-325	-305	-342	-357	-350	-371
EBITDA	**74**	**139**	**108**	**134**	**157**	**174**
EBITDA (Currency-Neutral)	**70**	**129**	**147**	**139**	**157**	**174**
EBITDA-margin	10.5%	18.1%	12.9%	15.3%	17.2%	17.8%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	14.9%	17.2%	17.8%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	15.5%	17.2%	17.8%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-33	-30	-30
EBIT	**33**	**104**	**73**	**101**	**127**	**143**
EBIT (Currency-Neutral)	**29**	**94**	**120**	**96**	**127**	**143**
EBIT-margin	4.7%	13.5%	8.8%	11.5%	13.9%	14.7%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	11.1%	13.9%	14.7%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	10.5%	13.9%	14.7%
Financial items, net	-16	3	-2	-3	-1	-2
EBT	**17**	**107**	**71**	**98**	**126**	**142**
Tax	1	-21	-20	-22	-26	-29
Net profit	**18**	**86**	**51**	**76**	**100**	**112**
Net margin	-1.5%	7.5%	3.0%	6.5%	11.0%	11.5%

DCF - Base scenario	Explicit Forecast period			Normalized Forecast Period							Terminal
(SEKm)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Value
NOPAT	**101**	**114**	**127**	**137**	**149**	**152**	**155**	**158**	**161**	**165**	**142**
+ D&A	30	30	27	28	24	21	22	20	21	20	17
- CAPEX	11	12	12	12	13	13	14	14	15	15	17
Increase (-) / Decrease (+) in Working Capital	-28	-13	-3	-6	-4	4	-4	-4	-4	-5	2
Free Cash Flow	**93**	**120**	**139**	**146**	**157**	**164**	**159**	**160**	**163**	**165**	**144**
Discounted Free Cash Flow	**84**	**98**	**101**	**96**	**92**	**86**	**75**	**68**	**62**	**56**	**507**

DCF - Base scenario (SEKm)	
WACC	11.6%
Present Value Free Cash Flow	818
Terminal Value	507
Enterprise Value	**1,325**
Net Debt	16
Equity Value	**1,309**
Share Outstanding (in millions)	25.1
Value per Share (SEK)	**52.1**

Cash Flow Distribution



Appendix

Financial Forecast (Quarterly) (SEKm)	Q1-23	Q2-23	Q3-23	Q4-23E	2023A	Q1-24E	Q2-24E	Q3-24E	Q4-24E	2024E
Net Sales Growth	8.9%	2.5%	5.4%	-0.4%	4.8%	3.6%	3.8%	4.3%	7.7%	4.8%
Net Sales	**247**	**166**	**262**	**198**	**872**	**256**	**172**	**273**	**213**	**914**
COGS	-118	-74	-124	-85	-401	-113	-73	-126	-94	-407
Gross Profit	**132**	**96**	**144**	**118**	**491**	**143**	**99**	**147**	**119**	**507**
Gross Margin	52.2%	55.6%	52.6%	56.8%	54.0%	55.8%	57.4%	53.9%	55.7%	55.5%
OPEX (excl. D&A)	-92	-80	-95	-90	-357	-88	-80	-93	-89	-350
EBITDA	**40**	**16**	**49**	**28**	**134**	**54**	**19**	**55**	**29**	**157**
EBITDA Margin	16.2%	9.8%	18.7%	14.3%	15.3%	21.3%	10.9%	20.0%	13.8%	17.2%
EBIT	**31**	**8**	**41**	**20**	**101**	**47**	**11**	**47**	**22**	**127**
EBIT Margin	12.7%	4.9%	15.6%	10.2%	11.5%	18.3%	6.5%	17.2%	10.3%	13.9%

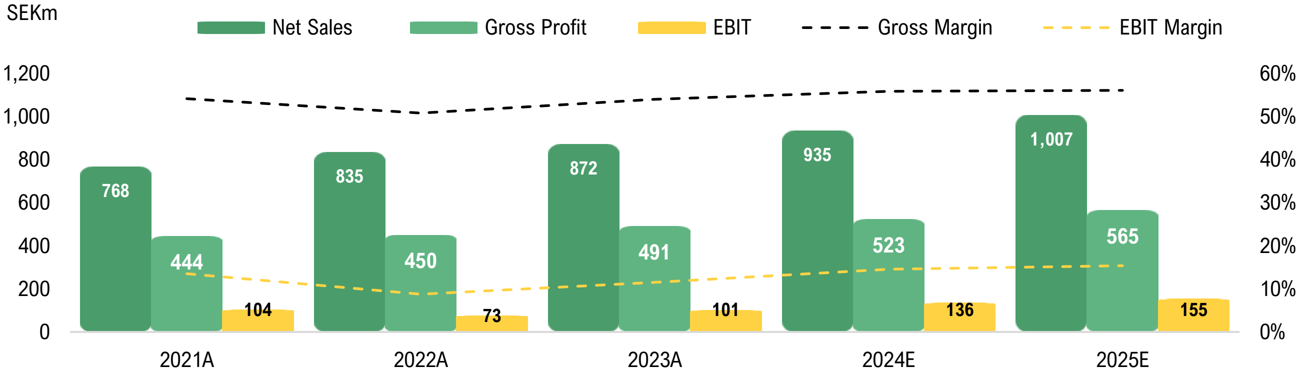
Base scenario SEKm	2020A	2021A	2022A	2023A	2024E	2025E
Assets						
Intangible Assets						
Goodwill	*34*	*35*	*36*	*36*	*36*	*36*
Trademarks	*188*	*188*	*188*	*188*	*188*	*188*
Other intangible assets	10	11	8	6	5	5
Total Intangible Assets	*232*	*233*	*232*	*230*	*229*	*229*
Tangible Non-Current Assets						
PP&E	17	15	16	18	19	21
Right-of-Use Assets	57	55	53	44	43	40
Deferred Tax Assets	16	14	13	12	13	13
Total Tangible Non-Current Assets	89	84	81	74	75	74
Total Non-Current Assets (Fixed Assets)	**321**	**317**	**313**	**304**	**305**	**303**
Inventory	123	152	201	184	195	210
Accounts receivable	84	92	104	99	113	123
Other current receivables	20	23	19	17	27	29
Cash and short-term investments	70	97	16	27	67	100
Total Current Assets	**297**	**364**	**340**	**327**	**403**	**462**
Total Assets	**618**	**681**	**653**	**632**	**707**	**765**
Owners' Equity and Liabilities						
Total Owners' Equity	***291***	***334***	***325***	***351***	***378***	***409***
Long-term interest-bearing liabilities	99	80	0	0	0	0
Long-term leasing liabilities	36	34	32	26	27	25
Other long-term liabilities	39	42	40	40	40	40
Total Long-Term Liabilities	**174**	**155**	**72**	**65**	**67**	**65**
Short-term interest-bearing liabilities	0	0	30	0	20	35
Accounts payable	77	97	106	136	131	142
Short-term leasing liabilities	21	20	19	17	16	15
Other current liabiltiies	55	74	101	62	96	100
Total Short-Term Liabilities	***154***	***191***	***256***	***216***	***263***	***292***
Total Liabilities	**328**	**346**	**328**	**281**	**330**	**357**
Total Owners' Equity and Liabilities	**618**	**681**	**653**	**631**	**707**	**765**

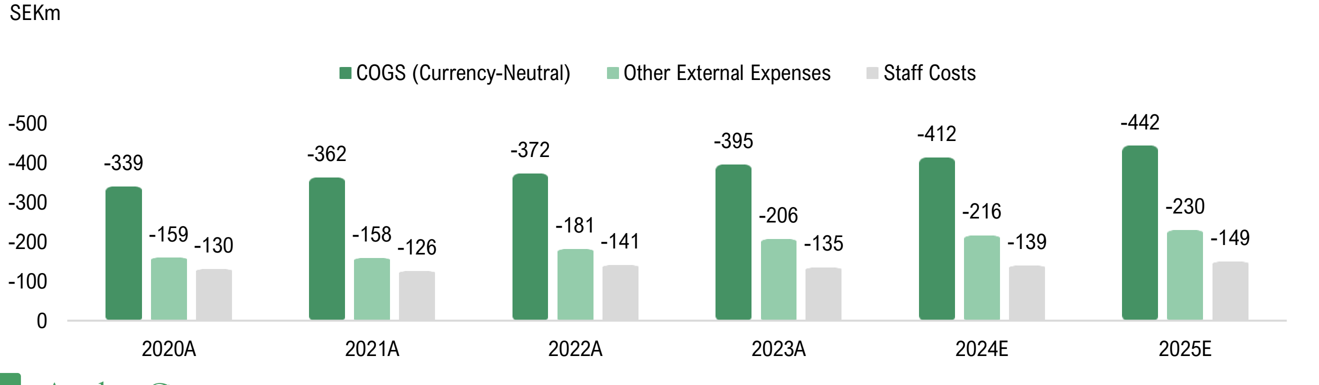
Appendix

Base scenario, Key Ratios	2020A	2021A	2022A	2023A	2024E	2025E
Growth						
Net Sales Growth	-6.9%	8.9%	8.7%	4.4%	4.8%	6.7%
of which organic	-5.8%	11.5%	4.7%	0.7%	4.8%	6.7%
of which Currency-Effects	-1.1%	-2.6%	4.0%	3.7%	0.0%	0.0%
EBIT	-35.7%	211.4%	-29.3%	37.2%	26.1%	13.0%
EBIT (adj. & excl Currency-Effects)	-58.1%	221.9%	27.7%	-20.4%	32.7%	13.0%
EPS	-52.8%	368.4%	-40.2%	48.1%	32.0%	12.2%
FCF	33.7%	-22.6%	-49.5%	111.1%	-21.1%	29.3%
Profitability						
Gross Margin (adj.)	52.5%	54.2%	50.8%	54.0%	55.5%	55.8%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	54.7%	55.5%	55.8%
EBITDA-margin	10.5%	18.1%	12.9%	15.3%	17.2%	17.8%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	14.9%	17.2%	17.8%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	15.5%	17.2%	17.8%
EBIT-margin	4.7%	13.5%	8.8%	11.5%	13.9%	14.7%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	11.1%	13.9%	14.7%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	10.5%	13.9%	14.7%
FCF-margin	19.0%	13.5%	6.2%	16.0%	10.1%	12.3%
Financial Position						
(+) Net Debt / (-) Net Cash (excl leasing)	29	-17	14	-27	-45	-61
(+) Net Debt / (-) Net Cash (incl leasing)	86	37	65	16	-5	-26
Debt Ratio	1.1	1.0	1.0	0.8	0.9	0.9
Equity Ratio	47.1%	49.1%	49.7%	55.6%	53.5%	53.6%
Capital Commitment						
Working Capital	143	173	84	112	138	168
Working Capital (excl cash)	73	76	68	85	73	72
Asset Turnover	1.1	1.2	1.3	1.4	1.4	1.3
Inventory Turnover	2.7	2.6	2.3	2.1	2.1	2.1

Appendix

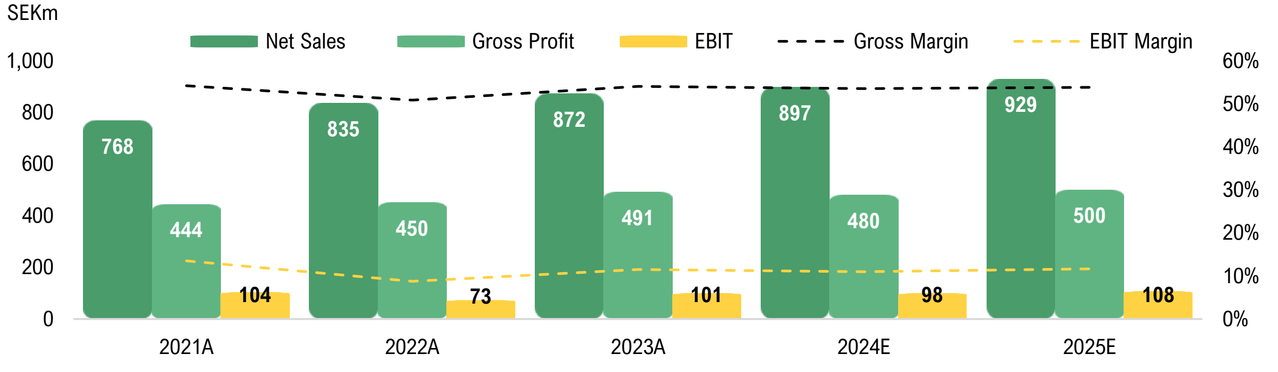
Bull scenario SEKm	2020A	2021A	2022A	2023A	2024E	2025E
Net Sales Growth	*-6.9%*	*8.9%*	*8.7%*	*4.4%*	*7.2%*	*7.7%*
Net Sales	705	768	835	872	935	1,007
Other Operating Income	29	28	26	20	0	0
Total Sales	**734**	**796**	**861**	**892**	**935**	**1,007**
COGS	-335	-352	-411	-401	-412	-442
COGS (Currency-Neutral)	-339	-362	-372	-395	-412	-442
Gross Profit	**399**	**444**	**450**	**491**	**523**	**565**
Gross Profit (Currency-Neutral)	**395**	**434**	**489**	**496**	**523**	**565**
Gross Margin (adj.)	52.5%	54.2%	50.8%	54.0%	55.9%	56.1%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	54.7%	55.9%	56.1%
Other External Expenses	-159	-158	-181	-206	-216	-230
Staff Costs	-130	-126	-141	-135	-139	-149
Other Operating Expenses	-36	-21	-20	-16	0	0
SG&A	-325	-305	-342	-357	-355	-379
EBITDA	**74**	**139**	**108**	**134**	**167**	**186**
EBITDA (Currency-Neutral)	**70**	**129**	**147**	**139**	**167**	**186**
EBITDA-margin	10.5%	18.1%	12.9%	15.3%	17.9%	18.5%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	14.9%	17.9%	18.5%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	15.5%	17.9%	18.5%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-33	-31	-32
EBIT	**33**	**104**	**73**	**101**	**136**	**155**
EBIT (Currency-Neutral)	**29**	**94**	**120**	**96**	**136**	**155**
EBIT-margin	4.7%	13.5%	8.8%	11.5%	14.5%	15.4%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	11.1%	14.5%	15.4%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	10.5%	14.5%	15.4%
Financial items, net	-16	3	-2	-3	-1	3
EBT	**17**	**107**	**71**	**98**	**136**	**157**
Tax	1	-21	-20	-22	-28	-32
Net profit	**18**	**86**	**51**	**76**	**108**	**125**
Net margin	-1.5%	7.5%	3.0%	6.5%	11.5%	12.4%

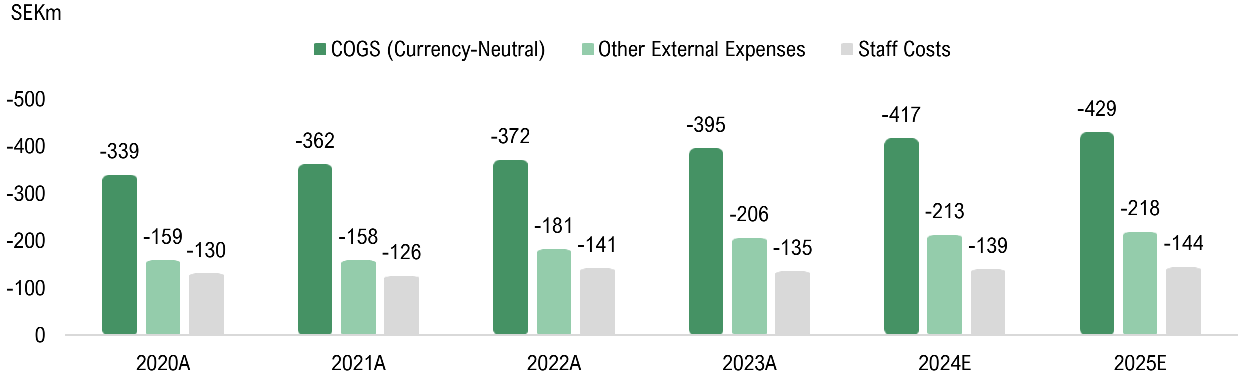




Appendix

Bear scenario SEKm	2020A	2021A	2022A	2023A	2024E	2025E
Net Sales Growth	*-6.9%*	*8.9%*	*8.7%*	*4.4%*	*2.9%*	*3.6%*
Net Sales	705	768	835	872	897	929
Other Operating Income	29	28	26	20	0	0
Total Sales	**734**	**796**	**861**	**892**	**897**	**929**
COGS	-335	-352	-411	-401	-417	-429
COGS (Currency-Neutral)	-339	-362	-372	-395	-417	-429
Gross Profit	**399**	**444**	**450**	**491**	**480**	**500**
Gross Profit (Currency-Neutral)	**395**	**434**	**489**	**496**	**480**	**500**
Gross Margin (adj.)	52.5%	54.2%	50.8%	54.0%	53.5%	53.8%
Gross Margin (adj. & Currency-Neutral)	51.9%	52.9%	55.5%	54.7%	53.5%	53.8%
Other External Expenses	-159	-158	-181	-206	-213	-218
Staff Costs	-130	-126	-141	-135	-139	-144
Other Operating Expenses	-36	-21	-20	-16	0	0
SG&A	-325	-305	-342	-357	-352	-363
EBITDA	**74**	**139**	**108**	**134**	**128**	**138**
EBITDA (Currency-Neutral)	**70**	**129**	**147**	**139**	**128**	**138**
EBITDA-margin	10.5%	18.1%	12.9%	15.3%	14.3%	14.8%
EBITDA -margin (adj.)	11.5%	17.2%	12.2%	14.9%	14.3%	14.8%
EBITDA -margin (adj. & Currency-Neutral)	11.0%	15.9%	16.9%	15.5%	14.3%	14.8%
D&A of Intangible/Tangible Non-Current Assets	-41	-36	-35	-33	-30	-29
EBIT	**33**	**104**	**73**	**101**	**98**	**108**
EBIT (Currency-Neutral)	**29**	**94**	**120**	**96**	**98**	**108**
EBIT-margin	4.7%	13.5%	8.8%	11.5%	11.0%	11.6%
EBIT-margin (adj.)	5.7%	12.6%	8.1%	11.1%	11.0%	11.6%
EBIT-margin (adj. & Currency-Neutral)	5.2%	11.3%	13.7%	10.5%	11.0%	11.6%
Financial items, net	-16	3	-2	-3	-1	-1
EBT	**17**	**107**	**71**	**98**	**98**	**107**
Tax	1	-21	-20	-22	-20	-22
Net profit	**18**	**86**	**51**	**76**	**78**	**85**
Net margin	-1.5%	7.5%	3.0%	6.5%	8.7%	9.1%





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