

Robust Underlying Growth Driven by Sports Apparel

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 124m (127), and by applying a forward EV/EBIT multiple of 11.5x (10.7), this presents a potential value of SEK 56.4 (54.1) per share in a Base scenario.

Footwear: Short-Term Challenges but Long-Term Potential

Net sales amounted to SEK 256.8m (246.9) during Q1-24, in line with our estimates of SEK 255.4m, representing a 4% Y-Y growth. Notably, footwear experienced a sharp sales decline of -46% due to the footwear partner's bankruptcy. Adjusted for the negative impact of SEK -12m attributable to this, sales increased by 10% Y-Y. Hence, Björn Borg started the year with robust underlying growth, driven by an impressive 24% Y-Y growth in Sports Apparel and a 9% Y-Y growth in Underwear, demonstrating that the brand is gaining traction in all markets. The progress in Own E-Commerce was a further indication of strength, as evident by the Y-Y growth of 21%. Despite the short-term challenges of integrating the footwear business in-house, the category is expected to be a key growth driver in the long term.

Profitability Development Falls Short of Expectations

The gross margin came in at 53.3% (52.2%), and the FX-neutral margin amounted to 53.1%. Hence, the outcome fell short of our estimates (55.8%), as we had anticipated a more significant positive margin impact from the strong growth of Own E-Commerce. Further down the P&L, Björn Borg reported an EBIT of 33.5 (31.4), corresponding to an operating margin of 13% (12.7% when including FX). Thus, the EBIT did not meet our expectations due to higher-than-expected SG&A. The EBIT margin within Own E-Commerce (14%) experienced a decline, both Y-Y (21%) and Q-Q (26%), partly due to higher logistic costs. The Wholesale business reported increased profitability during the quarter, which, coupled with reduced discounts in direct sales to consumers, compensated for the weaker profitability within Own E-Commerce.

Revised Valuation Range

The strong underlying growth during Q1 serves as a testament to Björn Borg's focus on driving growth and gaining further market share, fueled by the solid performance in Sports Apparel. Following the report, Analyst Group has revised the top-line estimates, expecting stronger development within Sports Apparel going forward. We have made slight adjustments to the estimated profitability projections, anticipating a more targeted focus on accelerating growth, which we believe will result in a somewhat increased cost base. All in all, the estimated EBIT of SEK 124m for 2024E, in combination with a multiple expansion among peers, has resulted in a new valuation range.

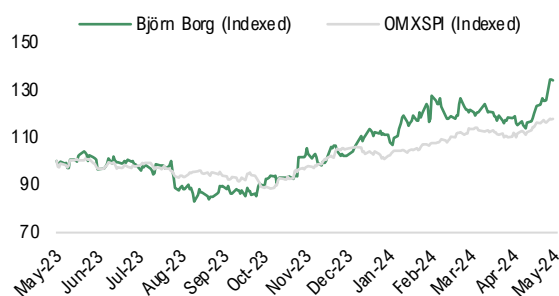
VALUATION RANGE

Bear	Base	Bull
SEK 40.4	SEK 56.4	SEK 68.7

KEY INFORMATION

Share Price (2024-05-22)	56.2
Shares Outstanding	25,148,384
Market Cap (SEKm)	1,413.3
Net cash(-)/debt(+) (SEKm)	129.0 ¹
Enterprise Value (SEKm)	1,542.4
List	Nasdaq Stockholm
Quarterly Report 2 2024	2024-08-16

SHARE PRICE DEVELOPMENT



OWNERS (SOURCE: HOLDINGS, 2024-03-31)

Nordnet Pensionsförsäkring	12.7%
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%	7.5%	7.2%
Net Sales	768	835	872	938	1,005
COGS	-411	-401	-423	-449	-470
Gross Profit	444	450	491	519	556
Gross Margin	54.2%	50.8%	54.0%	54.9%	55.3%
OPEX	-305	-342	-357	-364	-383
EBITDA	139	108	134	155	173
EBITDA-margin	18.1%	12.9%	15.3%	16.5%	17.2%
EBIT	104	73	101	124	142
EBIT Margin	13.5%	8.8%	11.5%	13.3%	14.2%
EV/S	1.9	1.8	1.7	1.6	1.5
EV/EBITDA	11.1	14.3	11.6	10.0	8.9
EV/EBIT	14.9	21.1	15.3	12.4	10.8

¹ Debt + Leasing Liabilities excl Deferred Tax Liabilities.

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Other

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