

Strong Performance Across All Product Categories

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 estimates an attractive growth trajectory on the horizon, which promises improved margins. The forecasted EBIT for 2025 stands at SEK 137m, and by applying a forward EV/EBIT multiple of 12.0x, this presents a potential value of SEK 64.6 (56.4) per share in a Base scenario.

Footwear and Sports Apparel Fueled Sales Growth

The Q2 report highlights that Björn Borg's increased focus on growth is bearing fruit, as evidenced by the 29% Y-Y increase in net sales (213.2) during the quarter, surpassing our estimates of SEK 179.1 by a wide margin. Footwear sales surged by an impressive 199% Y-Y, accounting for 18% of total sales during Q2-24. Sport Apparel increased by striking 43% Y-Y, while Bags (33% Y-Y) and Underwear (6% Y-Y) also recorded solid performance. Wholesale reinforced its position as the largest sales channel, with a 50% Y-Y growth, mainly driven by physical wholesale. Own E-Com experienced a slowdown in growth (9% Y-Y), attributed to reduced discounts on the Company's Own E-Com platform, which, in turn, enhanced profitability.

Gross Margin Pressured by Temporary Factors

Currency headwinds, increased freight costs, and one-off discounts associated with the footwear segment all negatively impacted the gross margin in Q2-24, which stood at 51.8% compared to 55.6% in Q2-23. Despite the reduced gross margin and a substantial increase in marketing spend Y-Y, strong sales growth largely offset these impacts, resulting in an EBIT of SEK 9.4m (8.1) including FX and SEK 10.3m (7.8) when adjusted for FX, marking a 32% increase (adj. for FX). Short-term fluctuations in FX-rates and transportation costs, coupled with elevated marketing expenditures, may exert pressure on profitability in the near term. However, Analyst Group maintains a positive long-term outlook for improved profitability, with an estimated adj. EBIT margin of 12.2% in 2025E.

Revised Valuation Range

Björn Borg has accelerated the growth pace in H1-24, demonstrating resilience in an environment where many peers are struggling, an indication that the Company's clear focus on brand-enhancing activities have yielded results. In response to the report, Analyst Group has revised the top-line estimates, forecasting stronger sales growth across all products categories moving forward. However, we anticipate that the headwinds affecting the gross margin will persist in the short term, leading to a slightly softer margin development. All in all, by applying a forward EV/EBIT multiple of 12.0x to the estimated EBIT of 137m for 2025E, a potential value of SEK 64.6 (56.4) per share is derived in a Base scenario.

VALUATION RANGE

Bear
SEK 44.1

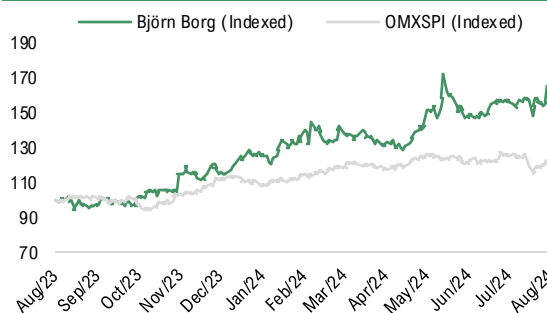
Base
SEK 64.6

Bull
SEK 76.4

KEY INFORMATION

Share Price (2024-08-20)	61.3
Shares Outstanding	25,148,384
Market Cap (SEKm)	1,540.3
Net cash(-)/debt(+) (SEKm)	95.9 ¹
Enterprise Value (SEKm)	1,636.2
List	Nasdaq Stockholm
Quarterly Report 3 2024	2024-11-15

SHARE PRICE DEVELOPMENT



OWNERS (SOURCE: HOLDINGS, 2024-06-30)

Nordnet Pensionsförsäkring	13.6%
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%	17.3%	10.3%
Net Sales	768	835	872	1 023	1 128
COGS	-411	-401	-423	-514	-549
Gross Profit	444	450	491	555	614
Gross Margin	54.2%	50.8%	54.0%	53.1%	54.4%
OPEX	-305	-342	-357	-409	-446
EBITDA	139	108	134	146	168
EBITDA-margin	18.1%	12.9%	15.3%	14.3%	14.9%
EBIT	104	73	101	114	137
EBIT Margin	13.5%	8.8%	11.5%	11.2%	12.2%
EV/S	1.9	1.8	1.7	1.6	1.5
EV/EBITDA	11.1	14.3	11.6	11.2	9.7
EV/EBIT	14.9	21.1	15.3	14.3	11.9

¹ Debt + Leasing Liabilities excl Deferred Tax Liabilities.

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Other

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