

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 131m, and by applying a forward EV/EBIT multiple of 12.0x, this presents a potential value of SEK 61.3 (64.6) per share in a Base scenario.

German Market Grew by 44% Y-Y

Net sales amounted to SEK 285.1m (262.1) during Q3-24, representing an 8.8% Y-Y growth (10.4% excl. FX). The outcome fell short of our estimate of SEK 312.0m, where we had anticipated stronger growth within Footwear following the in-house integration in Q1-24. Nevertheless, Footwear grew by 29% Y-Y, while Sports Apparel achieved robust growth of 25% Y-Y. Additionally, Underwear experienced a slight decline of 1% Y-Y, while Bags temporarily decreased by 14% Y-Y, following strong performance during H1-24. Own E-Commerce maintained its positive trajectory, with growth of 32% Y-Y, while Wholesale grew by 5%. Geographically, the key market of Germany delivered strong performance, with growth of 44% Y-Y. Analyst Group believes that the strong performance within Footwear, Sports Apparel, Own E-Commerce, and the German market serves as a testament to Björn Borg's successful execution of the Company's strategic initiatives.

Increased Marketing Spend

The gross margin for Q3-24 stood at 52.1% (52.6%), with the FX-neutral margin at 51.2%. The decline was primarily attributable to a higher sales contribution from the Footwear category and increased sales to larger customers, which carried higher discounts. Nonetheless, Footwear is projected to enhance the Company's overall profitability profile over the long term. Björn Borg reported an EBIT of SEK 42.0m (40.9), reflecting modest Y-Y growth of 2.8%, driven by a slightly compressed gross margin and elevated marketing expenses. Analyst Group views the increased marketing investments as a strategic initiative likely to support long-term growth by sustaining and strengthening brand momentum.

Revised Valuation Range

In conclusion, Björn Borg's Q3 report came in below our expectations both regarding revenue and profitability, primarily due to slower-than-expected growth within the Footwear category. However, it is encouraging to observe strong progress in the Company's strategic focus areas, including Footwear, Sports Apparel, Own E-Commerce, and the German market. Nevertheless, Analyst Group revises the top-line estimates for 2024 and 2025. By applying a forward EV/EBIT multiple of 12.0x to the estimated EBIT of 131m for 2025E, a potential value of SEK 61.3 (64.6) per share is derived in a Base scenario.

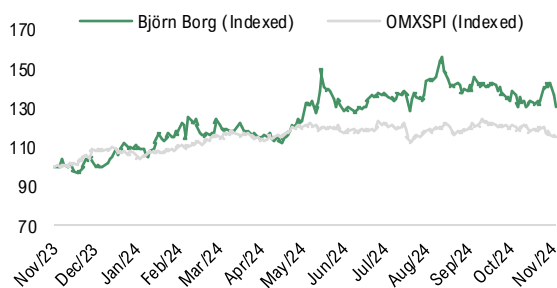
VALUATION RANGE

Bear SEK 43.5 **Base** SEK 61.3 **Bull** SEK 73.2

KEY INFORMATION

Share Price (2024-11-19)	55.6
Shares Outstanding	25,148,384
Market Cap (SEKm)	1,398.3
Net cash(-)/debt(+) (SEKm)	185.3 ¹
Enterprise Value (SEKm)	1,583.5
List	Nasdaq Stockholm
Quarterly Report 4 2024	2025-02-21

SHARE PRICE DEVELOPMENT



OWNERS (SOURCE: HOLDINGS, 2024-09-30)

Nordnet Pensionsförsäkring	14.3%
Martin Bjäringer	9.9%
Mats Nilsson	6.5%
Thomas Eklund	5.6%
Lazard Frères Gestion	5.2%

Forecast (SEKm)	2021A	2022A	2023A	2024E	2025E
Net Sales Growth	8.9%	8.7%	4.4%	12.7%	9.5%
Net Sales	768	835	872	983	1 077
COGS	-352	-411	-401	-463	-491
Gross Profit	444	450	491	537	586
Gross Margin	54.2%	50.8%	54.0%	52.9%	54.4%
OPEX	-305	-342	-357	-396	-424
EBITDA	139	108	134	141	162
EBITDA-margin	18.1%	12.9%	15.3%	14.3%	15.0%
EBIT	104	73	101	108	131
EBIT Margin	13.5%	8.8%	11.5%	10.9%	12.1%
EV/S	2.0	1.8	1.8	1.6	1.5
EV/EBITDA	11.4	14.7	11.9	11.2	9.8
EV/EBIT	15.3	21.6	15.8	14.7	12.1

¹ Debt + Leasing Liabilities excl Deferred Tax Liabilities.

Disclaimer

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

Conflicts of Interest and impartiality

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

Other

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

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

The analyst does not own shares in the Company.

This analysis is copyright protected by law © AG Equity Research AB (2014-2024). Sharing, dissemination or equivalent action to a third party is permitted provided that the analysis is shared unchanged.