



# BOREO

A STEP IN THE RIGHT DIRECTION

Q224 WEBCAST | AUGUST 7, 2024

# CHANGE IN BOREO'S MANAGEMENT TEAM

JESSE PETÄJÄ APPOINTED AS A NEW CFO - EFFECTIVE AS OF 1 SEPTEMBER 2024



AKU RUMPUNEN



JESSE PETÄJÄ

As of 1 September 2024, Boreo's Management Team will consist of:

- **Kari Nerg**, CEO
- **Jesse Petäjä**, CFO
- **Mari Katara**, SVP, People & Sustainability
- **Tomi Sundberg**, SVP, Head of Electronics
- **Richard Karlsson**, SVP, Head of Technical Trade



# AGENDA

- **Q224 HIGHLIGHTS**
  - **Q224 FINANCIALS**
  - **Q&A**
- 

# Q224 | HIGHLIGHTS

## DECENT RESULT

Operational EBIT 2.4m€ (Q223: 2.4m€)

Profitability up to 7.0% (Q223: 5.6%)

Decline of sales to 34m€ (Q223: 42m€)

Operational cash flow -1.9m€

## COST ACTIONS & STRONG GROSS MARGINS

Fixed costs declined as expected

Minimum 1m€ annual cost savings from Q224 onwards

Successful management of margins

## CHALLENGING MARKET CONDITIONS CONTINUE

Orderbooks slightly below Q124, up from the beginning of the year

Sizeable single orders in schedule for Q424

## PRIORITIES: PROFIT GENERATION & DELEVERAGING

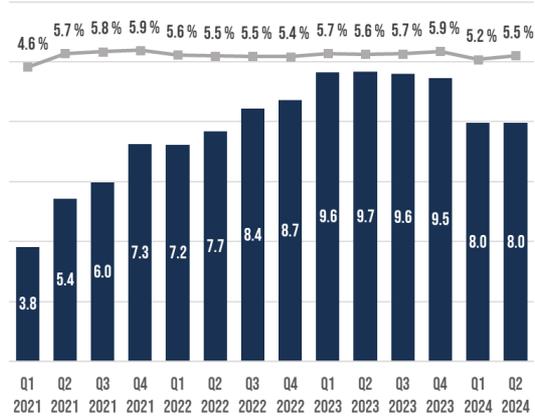
Short-term focus in existing portfolio

Leverage at 2.8x

# Q224 | TEMPORARILY FAR AWAY FROM LONG-TERM TARGETS

## PROFIT GENERATION & DELEVERAGING IN SHORT-TERM FOCUS

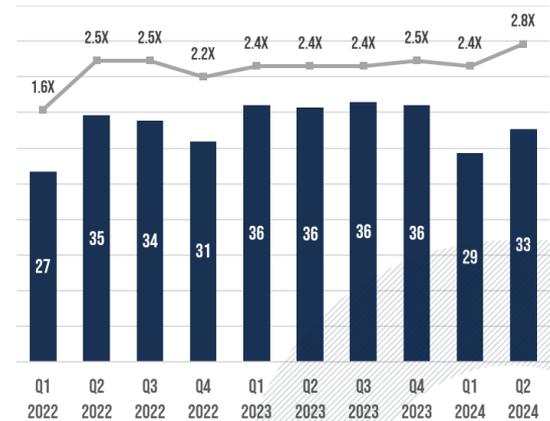
### OPERATIONAL EBIT (€) & EBIT%, R12



### ROCE%



### NET DEBT/OPERATIONAL EBITDA



Q224

**-18%\***

(15%)  
MINIMUM ANNUAL AVERAGE  
OPERATIONAL EBIT GROWTH

**9.2%**

(15%)  
MINIMUM  
OPERATIONAL  
ROCE

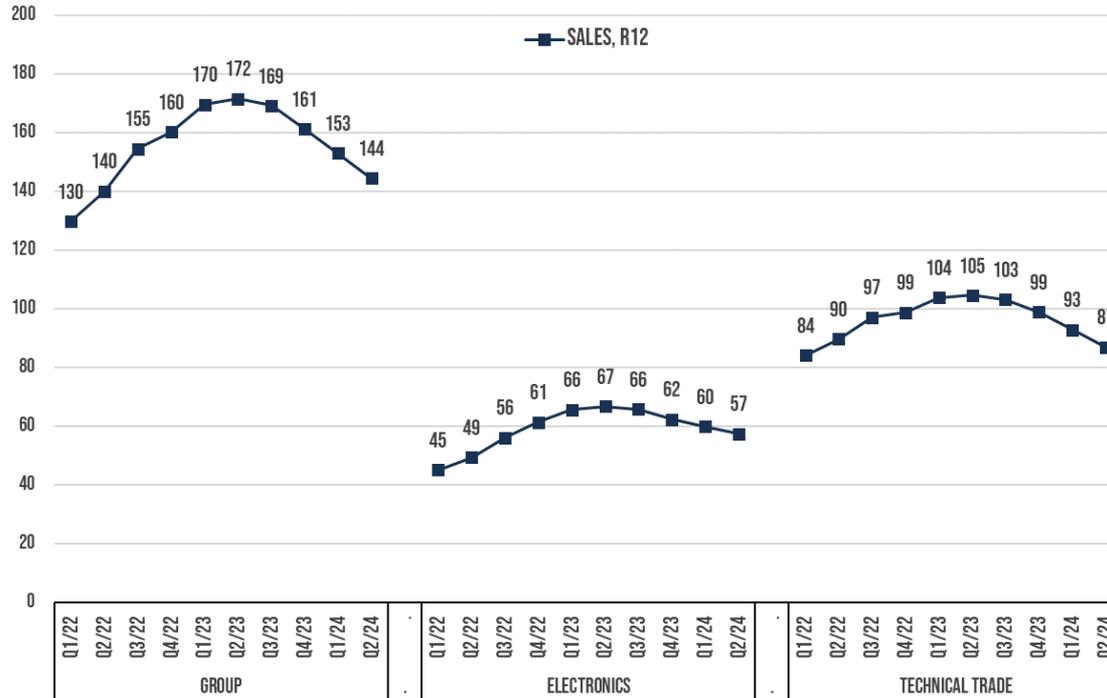
**2.8X**

(2-3X)  
NET DEBT /  
OPERATIONAL EBITDA

\*Adjusted for continued operations and \* R12 ending 30.6.2024

# Q224 | SALES UNDER PRESSURE

CHALLENGING MARKET CONDITIONS SINCE MID-2023



## COMMENTARY

### Sales -20% or -8.5m€ vs. Q224

- Organic growth -8.5m€
- Sales under pressure in particular in construction related businesses

### Acquisitions & exits

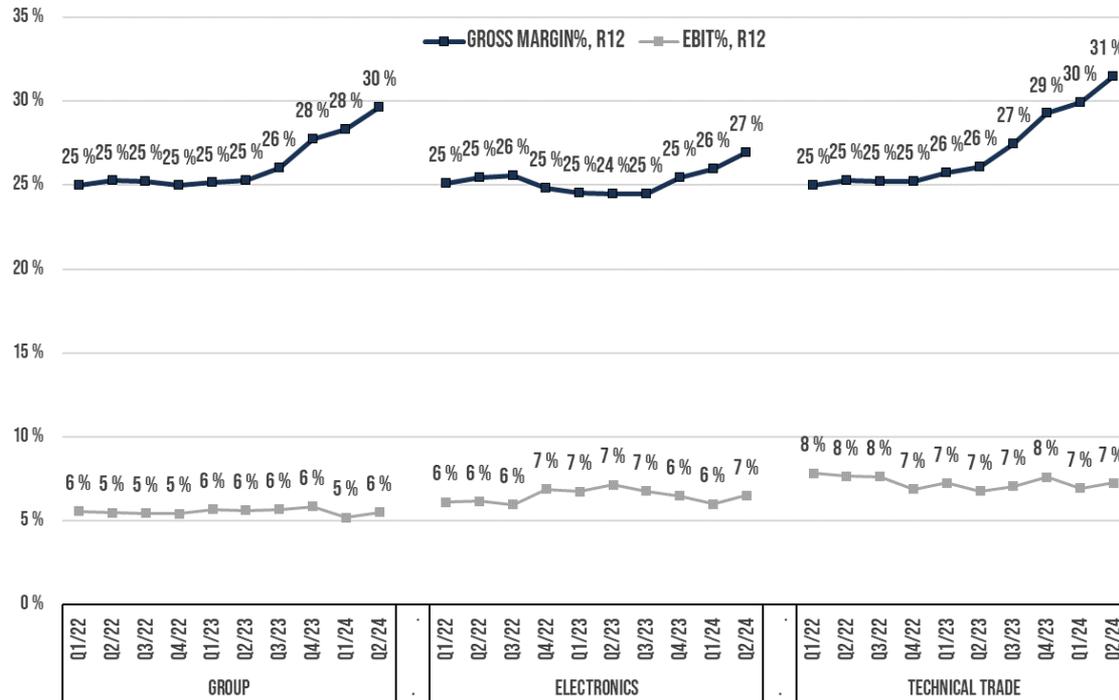
- +0.5m€ impact due to Delfin Technologies
- 0.5m€ SANY Finland & Sweden

### Company high- & lowlights

- (+) FNB, Filterit, Infradex, ESKP
- 5.5m€ Putzmeister businesses
- 2.4m€ Baltic electronic component distribution

# Q224 | STRONG GROSS MARGINS & IMPROVED PROFITABILITY

COSTS DECLINED IN Q224 AS PLANNED – EXPECTATION TO REACH A MINIMUM 1M€ SAVINGS FROM Q224 ONWARDS



## COMMENTARY

### Gross margin

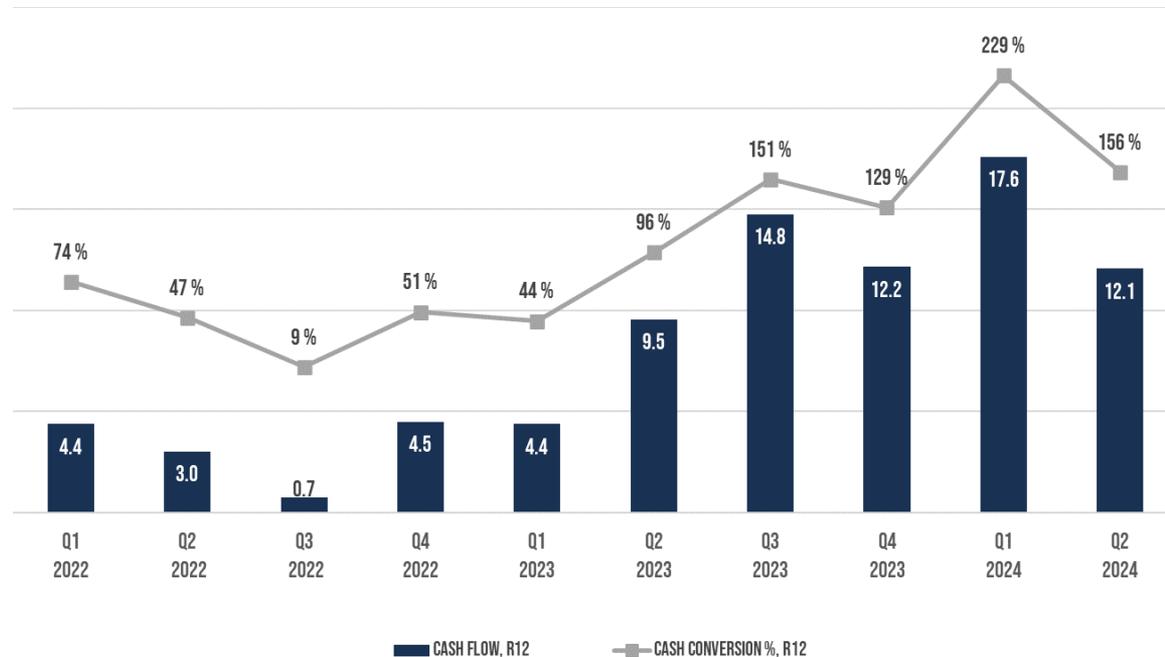
- Successful management of margins throughout the portfolio
- Impact of sales mix
- Resiliency – support from aftermarket activities

### Profitability

- Costs declined in Q224 as planned
- Expectation to reach a minimum 1m€ savings from Q224 onwards

# Q224 | CASH FLOW IMPACTED BY SEASONAL INCREASE OF WORKING CAP

CASH FLOW IN Q1 EXTRAORDINARILY STRONG (6.1M€) – H124 OPERATIONAL CASH FLOW 4.2M€



## COMMENTARY

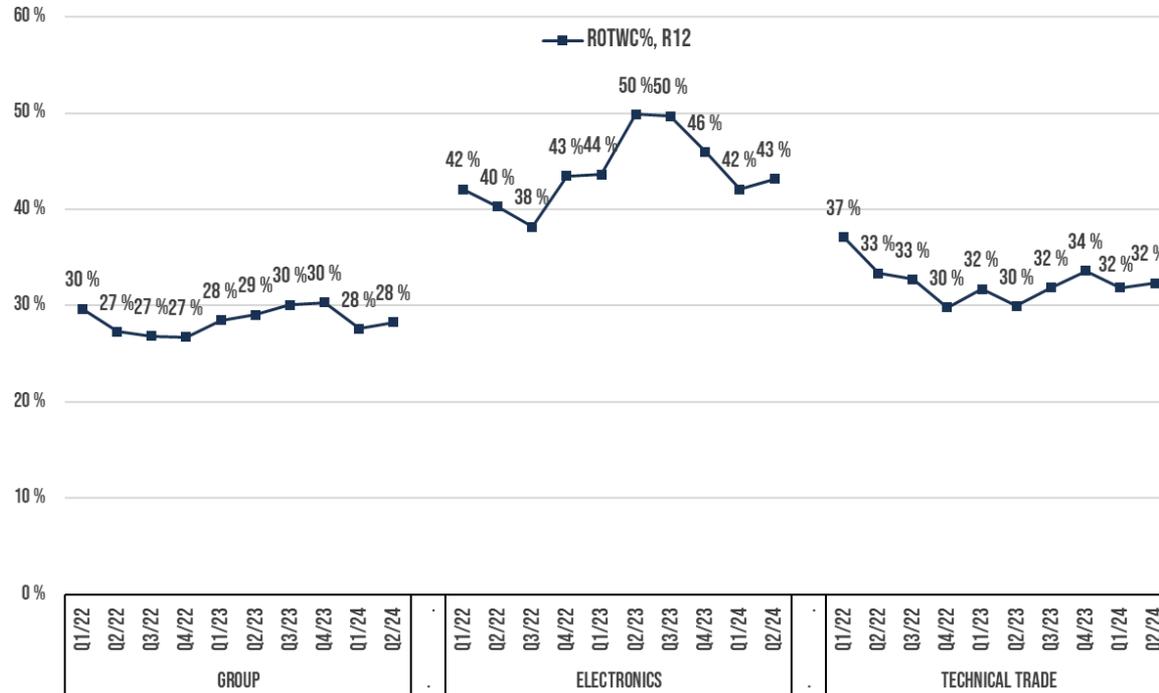
- Continued successful management of working capital, adapting to lower level of activity
- Trade Working Capital at c. 28m€ in Q224
  - Inventory declined by c. 2m€ from Q124
  - A/P down by c. 5m€
- Target to reach 25m€ toward the end of the year

1) Cash flow adjusted for continued operations since Q2/22

2) Cash conversion = cash flow / (EBITDA – IFRS16 expenses), where  
Cash Flow = Operational net cash flow + paid interest – organic Capex

# Q224 | STABLE BUT MEDIOCRE RETURNS

## PROFITABILITY TRAILING IN BOTH BUSINESS AREAS



### COMMENTARY

- Weak profitability in the recent quarters impacting returns negatively
- Strong cash generation in the last 2-years not enough to offset the profitability impact

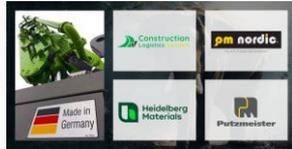
# Q224 | DECENT PERFORMANCE OUTLOOK

SUPPORTED IMPLEMENTED COST ACTIONS – ORDER BOOKS FOCUSED ON Q424

# 1

## ORDER BOOKS

SLIGHT DECLINE OF ORDER BOOKS VS Q124  
HIGHER LEVEL COMPARED TO EARLY 24



MILCON

# 2

## COST DECLINED AS PLANNED

MINIMUM 1M€ COST SAVINGS FROM Q224  
ONWARDS

BOREO

YLEISELEKTRONIIKKA

YEInternational

MACHINERY

MUOTTIKOLMIO

# 3

## CONTINUED POSITIVE OUTLOOKS

CONTINUED STABLE OUTLOOKS FOR  
PART OF THE COMPANIES

MILCON

Delfin  
Technologies

FILTERIT®

ESKP

BOREO



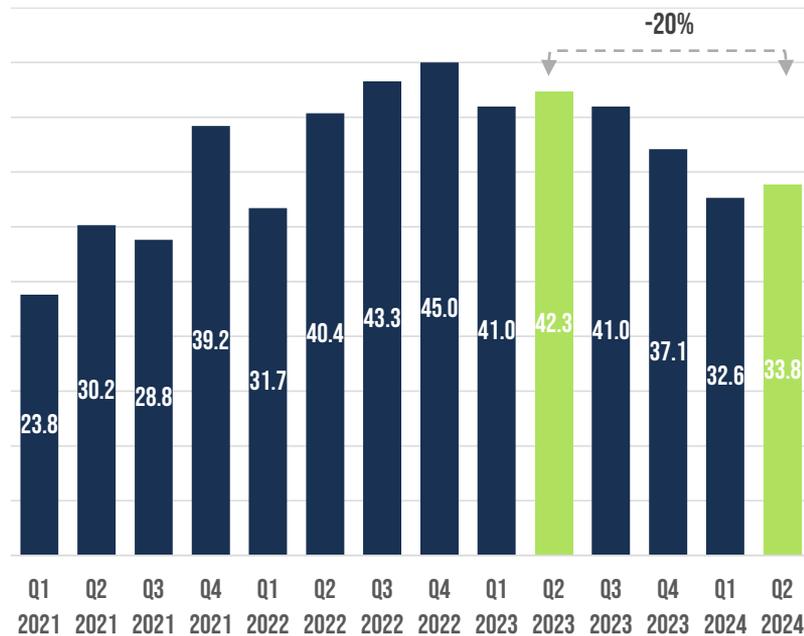
# AGENDA

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  - Q224 FINANCIALS
  - Q&A
- 

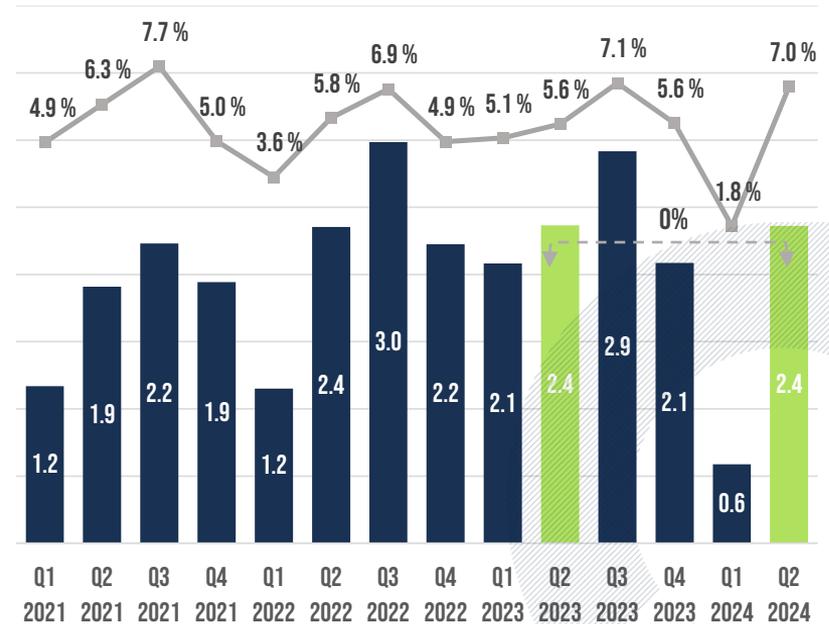
# Q224 | NET SALES AND OPERATIONAL EBIT

PROFITABILITY IMPROVED AND OPERATIONAL EBIT INTACT DESPITE OF LOW SALES

## NET SALES \*



## OPERATIONAL EBIT & EBIT% \*

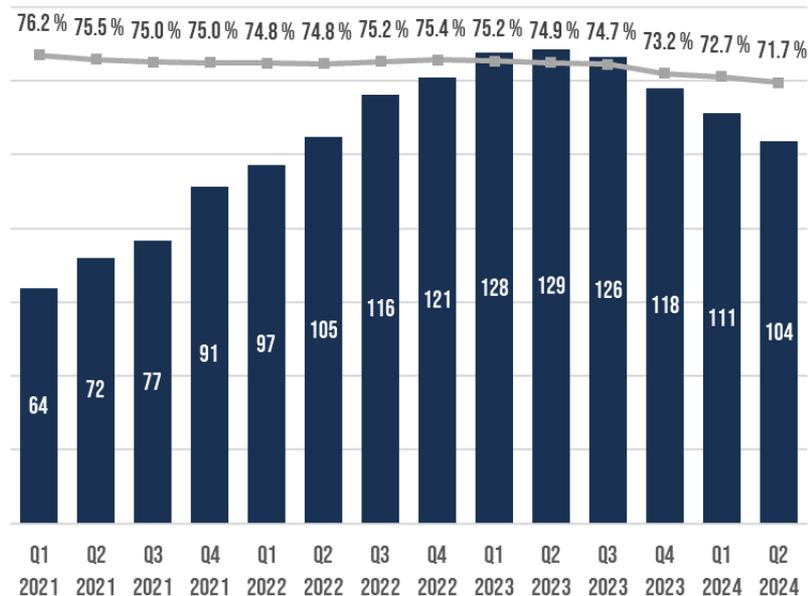


\*Adjusted for continued operations

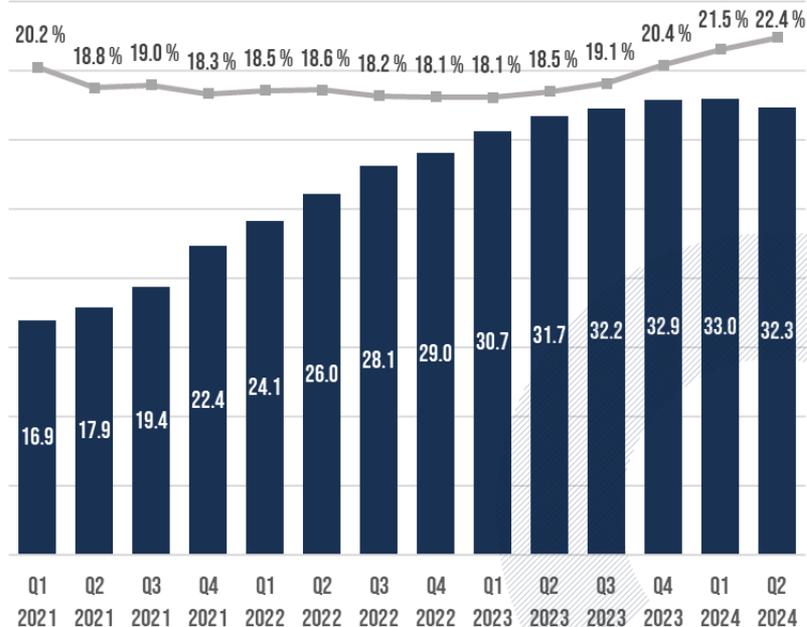
# Q224 | DIRECT COST RATIO AND INDIRECT COST RATIO

DIRECT COST EFFICIENCY CONTINUED TO IMPROVE, INDIRECT COST RATIO UP BECAUSE OF LOW SALES

## DIRECT COSTS (R12) AND DIRECT COST RATIO [%]\*



## INDIRECT COSTS (R12) AND INDIRECT COST RATIO [%]\*



\*Adjusted for continued operations

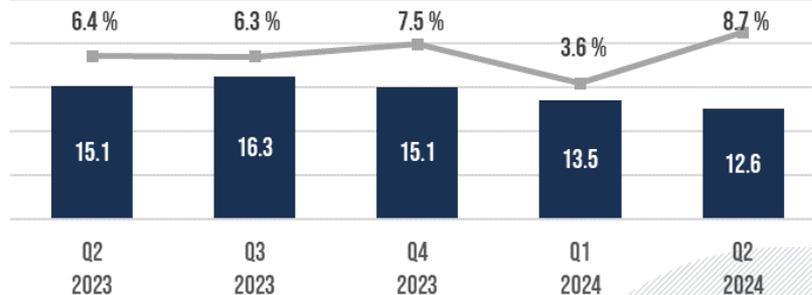
# Q224 | ELECTRONICS

MODERATE RESULT - OPERATIONAL EBIT AT 8.7% & ROTWC AT 43%

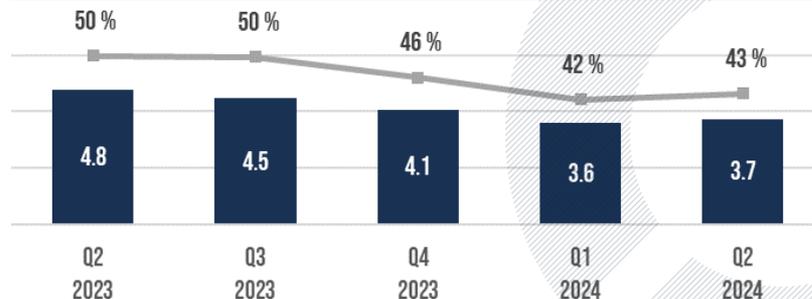
## COMMENTS - Q2 2024

- Finnish operations (Yleiselektronikka, Noretron, Milcon, Infradex, SSN, Delfin)
  - Yleiselektronikka: successful completion of reorganizations in Q124, good profitability in Q2.
  - Noretron: result below comparison period, outlook moderate
  - Milcon: slow H1, outlook remains positive
  - Infradex: continued positive development, outlook moderate
  - SSN: Q2 result better than comparison period, but below our expectations. Investment holiday of the main customer continues to impact, outlook remains moderate
  - Delfin: Q2 result decent, outlook stable and investment program proceeds as planned
- Baltic electronic component businesses (Estonia, Latvia, Lithuania)
  - Significant decline in sales
  - Weakening activity from earlier quarters, performance at moderate level compared to recent history
- Capital efficiency
  - Continued good cash generation supported by good management of working capital – ROTWC at 43% due to weak result

## NET SALES AND OPERATIONAL EBIT%



## OPER. EBIT (R12) & ROTWC% (R12)



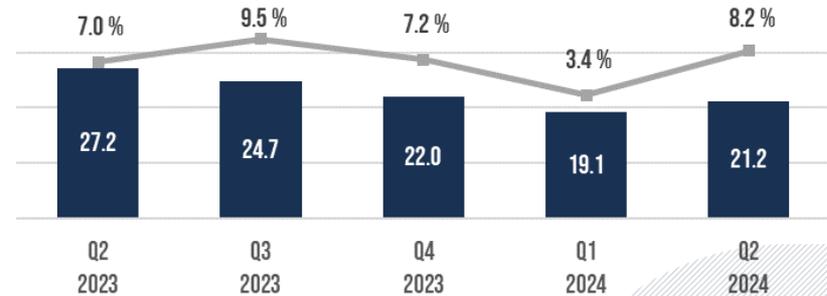
# Q224 | TECHNICAL TRADE

DECENT PROFITABILITY - OPERATIONAL EBIT AT 8.2% & ROTWC STABLE AT 32%

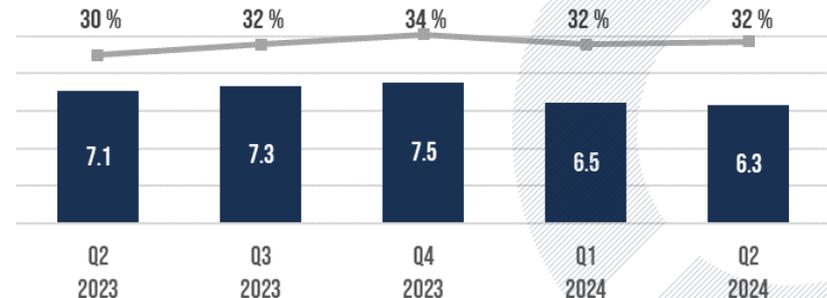
## COMMENTS - Q2 2024

- Machinery Power
  - Decent result in Q2 – H1 on par with last year
  - Moderate outlook – orderbooks below Q1, up from beginning of the year
- Construction (Muottikolmio and Machinery's Construction equipment)
  - Good profitability in Muottikolmio due to strong margin development. Machinery's Construction still struggling
  - Short-term outlook uncertain, cost actions initiated in both companies
- Welding & metal machines (Pronius & Machinery's Metal Machines)
  - Pronius: modest performance and market outlook - profit generation supported by strong position in the market
  - Metal Machines: some large deliveries during Q2 (some of which postponed from Q1) ensured improvement compared to last year. Outlook remains challenging
- J-Matic & Filterit
  - Good profitability in Filterit, including one bigger project. Another slower quarter in J-Matic. Foundation for long-term profit growth in place with both companies, albeit short-term outlook a bit lagging behind expectations

## NET SALES AND OPERATIONAL EBIT%



## OPER. EBIT (R12) & ROTWC% (R12)



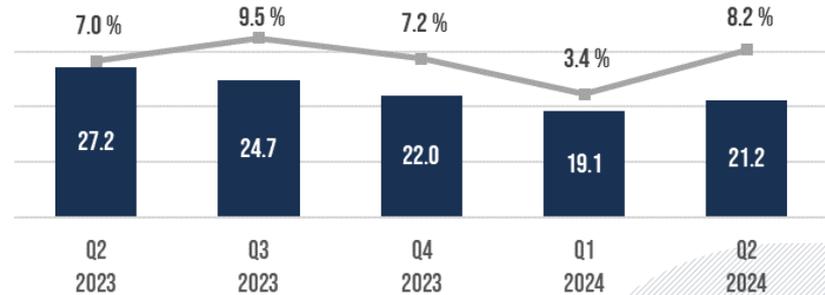
# Q224 | TECHNICAL TRADE (CONT'D)

DECENT PROFITABILITY - OPERATIONAL EBIT AT 8.2% & ROTWC STABLE AT 32%

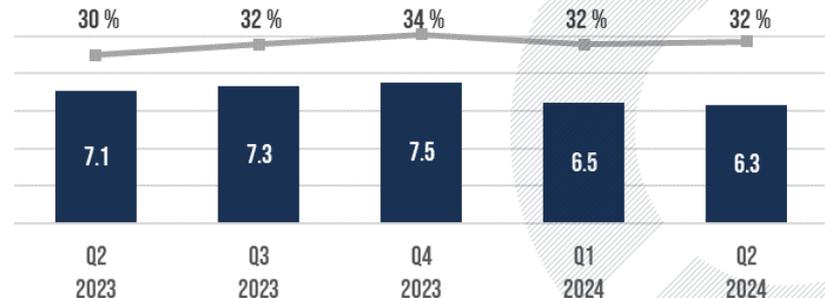
## COMMENTS - Q2 2024

- Putzmeister business
  - Sweden: Good result supported by strong aftermarket business. Outlook positive with a strong orderbook
  - Finland: weak result due to low level of machine deliveries. Outlook still uncertain as market is tough
  - Estonia: low level of activity as expected, continued positive steps in strengthening presence in the country
- FNB & Lackmästarn
  - FNB: Strong result in Q2 and orderbook at strong level
  - Lackmästarn: Q2 was below estimates, expected to catch up in later quarters
- ESKP
  - Good result in Q2. Stable volumes in frame transports, supported by a positive uptick in express transports. Cost pressures continue to affect profitability

## NET SALES AND OPERATIONAL EBIT%



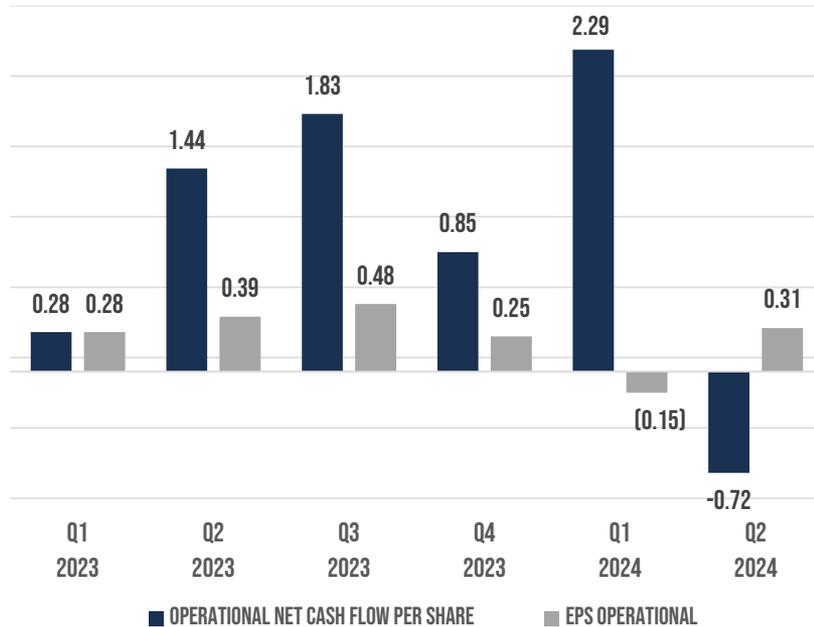
## OPER. EBIT (R12) & ROTWC% (R12)



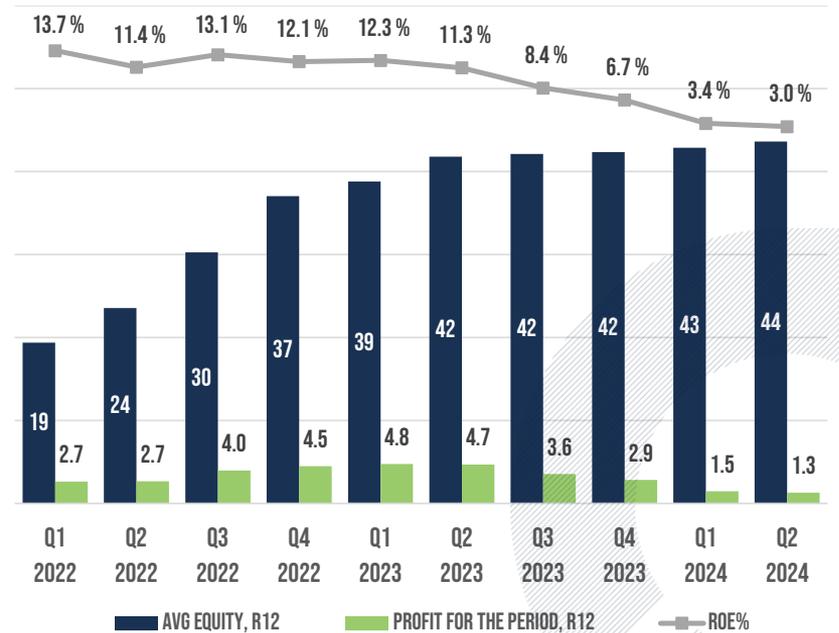
# Q2 2024 | EPS AND ROE

NEGATIVE OPERATIONAL CASH FLOW IN THE QUARTER DUE TO WORKING CAP TIMINGS. ROE STILL NEGATIVELY IMPACTED BY WEAK NET PROFIT AND INCREASED EQUITY

## CASH FLOW AND EARNINGS PER SHARE



## ROE





# AGENDA

- Q224 HIGHLIGHTS
- Q224 FINANCIALS
- Q&A





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**Q&A**



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**GROW & PROSPER**

# A LONG-TERM OWNER OF GREAT ENTREPRENEURIAL COMPANIES

**161M€**

NET SALES 2023



**9.5M€ (5.9%)**

OPERATIONAL EBIT 2023



**330**

EMPLOYEES

**21**

COMPANIES



Map excluding USA

**11.0%**

RETURN ON CAPITAL EMPLOYED  
2023



**2.8X**

NET DEBT / OPERATIONAL EBITDA  
Q2 2024



# DIVERSIFIED INDUSTRIAL PORTFOLIO IN 7 COUNTRIES

## BOREO



### ELECTRONICS

**62M€**

2023 Sales

**130**

Professionals

**7**

Markets



**YE**leiselektroniikka

**infradex**

**Delfin**  
technologies

**YE**International  
YE GROUP

**noretron**  
KOMPONENTIT

**MILCON**

**Signal**  
Solutions



### TECHNICAL TRADE

**100M€**

2023 Sales

**193**

Professionals

**3**

Markets



**MACHINERY**

**PRONIUS**

**pm nordic**

**MUOTTIKOLMIO**

**automatic**

**HM NORDIC**

**FILTERIT®**

**TORNO**  
KONE

**Platy Net Abstraktet AB**

**Sedana spz**

**ESKP**

Net sales adjusted for continued operations  
New organizational structure effective as of 1.1.2024

## BOREO

# CAPABLE & COMMITTED LEADERSHIP IN A DECENTRALIZED STRUCTURE

## BOARD OF DIRECTORS



**SIMON HALLQVIST,**  
CHAIRMAN

 1,913,433 shares



**CAMILLA GRÖNHOLM,**  
CHAIR OF REMCO

 1,277 shares



**JOUNI GRÖNROOS,**  
CHAIR OF AUDIT COMMITTEE

 1,433 shares



**RALF HOLMLUND,**  
BOARD MEMBER

 2,244 shares



**NOORA NEILIMO-KONTIO,**  
BOARD MEMBER

 704 shares



**JUSSI VANHANEN,**  
BOARD MEMBER

 5,209 shares

## MANAGEMENT TEAM



**KARI NERG**  
CEO

 42,138 shares



**AKU RUMPUNEN**  
CFO

 24,000 shares



**MARI KATARA**  
SVP, PEOPLE & SUSTAINABILITY

 5,100 shares



**TOMI SUNDBERG**  
SVP, HEAD OF EBA

 5,728 shares



**JESSE PETÄJÄ**  
SVP, MGA & CO-HEAD TTBA

 14,560 shares



**RICHARD KARLSSON**  
SVP, CO-HEAD TTBA

 24,916 shares

## COMPANIES



**YLEISELEKTRONIIKKA**  
TOMI SUNDBERG



**SIGNAL SOLUTIONS NORDIC**  
TONY AALTONEN



**MACHINERY**  
SILJA FRIGÅRD



**FILTERIT**  
JOONAS KORHIAKOSKI



**LACKMÄSTARN**  
RICHARD KARLSSON



**YE INTERNATIONAL AS**  
LAURI EBBERT



**INFRADEX**  
JUSSI AROLA



**MACHINERY**  
JUHA-PEKKA HONKANEN



**TORNOKONE**  
KAJ JÄRVINEN



**ESKP**  
JARMO SEPPÄLÄ



**YE INTERNATIONAL SIA**  
AIVARS LATKOVSKIS



**MILCON**  
HERMANNI LEHTOMÄKI



**MUOTTIKOLMIO**  
MIKKO AALTO



**PM NORDIC**  
MATTIAS EDVARDSSON



**UAB YE INTERNATIONAL**  
ANDREJ KOLOBOV



**DELFIN TECHNOLOGIES**  
JOUNI NUUTINEN



**PROMIUS**  
KARI LEHTOMAA



**HM NORDIC**  
MIHKEL TASA



**NORETRON COMPONENTS**  
JUHA-PEKKA TIAINEN



**DELFIN TECHNOLOGIES**  
JAAKKO HÄMÄLÄINEN



**J-MATIC**  
JARKKO LAUKKANEN



**FLOBY NYA BILVERKSTAD**  
RICHARD KARLSSON

# BOREO'S BUSINESS MODEL



# OUR ACQUISITION & OWNERSHIP CRITERIA

ASSET LIGHT INDUSTRIAL BUSINESSES WITH STRONG CASH GENERATION, PROVEN TRACK RECORD AND A MANAGEMENT FIT WITH BOREO CULTURE



## INDUSTRIAL CHARACTERISTICS

**B2B**

**DISTRIBUTION**

**INDUSTRIAL SERVICES**

**LIGHT-MANUFACTURING**

## FINANCIAL CHARACTERISTICS

**HIGH CASH CONVERSION**

**ASSET LIGHT  
BUSINESS MODEL**

**PROVEN FINANCIAL  
HISTORY**

**PREDICTABILITY**

## ORGANISATIONAL CHARACTERISTICS

**STRONG MANAGEMENT**

**FIT WITH BOREO CULTURE**

**COMMITTED  
ENTREPRENEUR**

**(OR CREDIBLE CONTINUATION PLAN)**

## INVESTMENT CHARACTERISTICS

**SOLID MARGINS**

**REASONABLE VALUATION**

**DOUBLE-DIGIT CASH FLOW  
BASED RETURNS ON  
CAPITAL**

# OUR PHILOSOPHY – SUSTAINABLE LONG-TERM PROFIT GENERATION

## DECENTRALIZATION

Culture of ownership and release of entrepreneurial energy

Aligned interest of shareholders and employees

Sharing best practices

## CAPITAL ALLOCATION

Focus on earnings and capital efficiency

Broad universe of investment opportunities – discipline in capital allocation decisions

## LONG-TERM VIEW

Supportive long-term owner of SMEs

Focus on small incremental improvements and continuous learning

**BOREO**   
WAY

**BOREO** 

# WHAT'S IN IT FOR THE COMPANIES?

## A LONG-TERM OWNER

- Stability
- Continuation
- Credibility
- Access to funding

## LEADERSHIP DEVELOPMENT

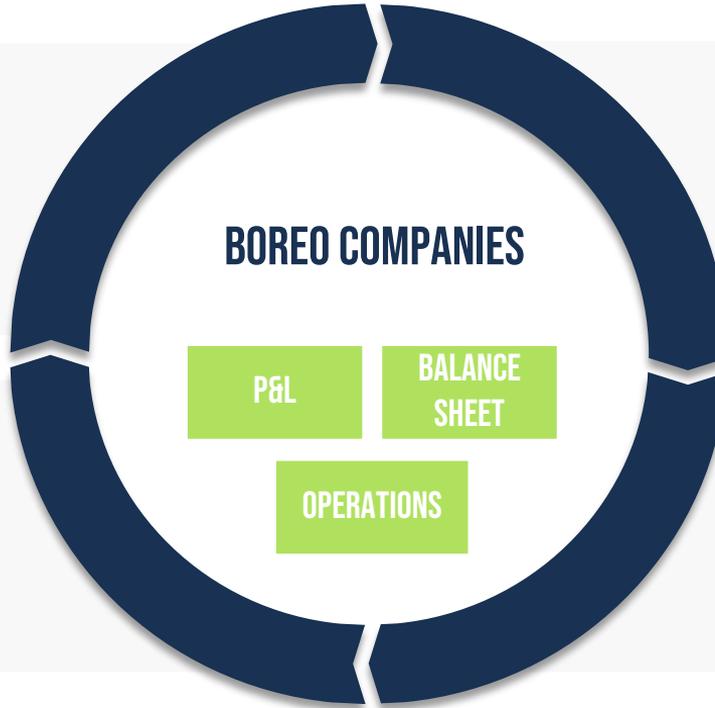
- Best practice sharing
- Support from 'Coaches'
- MD peer group
- Boreo Academy

## BUSINESS DEVELOPMENT

- Board of Directors
- Game Plan
- No bureaucracy
- Data for management
- Sustainability

## PERSONNEL

- Continuity
- Career opportunities
- Employer image



# FOCUS ON EARNINGS GROWTH AND RETURN ON CAPITAL

UPDATED LONG-TERM STRATEGIC FINANCIAL  
TARGETS TO BETTER REFLECT SHAREHOLDER VALUE CREATION



MINIMUM ANNUAL  
AVERAGE OPERATIONAL  
EBIT GROWTH

**15%**



MINIMUM  
ROCE

**15%**



NET DEBT /  
OPERATIONAL EBITDA

**2-3X**

## DIVIDEND POLICY

Target to annually increase dividend per share,  
taking into consideration capital allocation priorities



**BOREO**

**GROW & PROSPER**