



# BOREO

**YEAR 2023**

**MODERATE PROFITABILITY & STRONG CASH FLOW IN CHALLENGING MARKETS**

**Q423 WEBCAST | FEBRUARY 29, 2024**



# AGENDA

- **YEAR 2023**
- **STRATEGIC REVIEW**
- **Q4 2023**
- **Q&A**



# 2023 | STRATEGIC HIGHLIGHTS

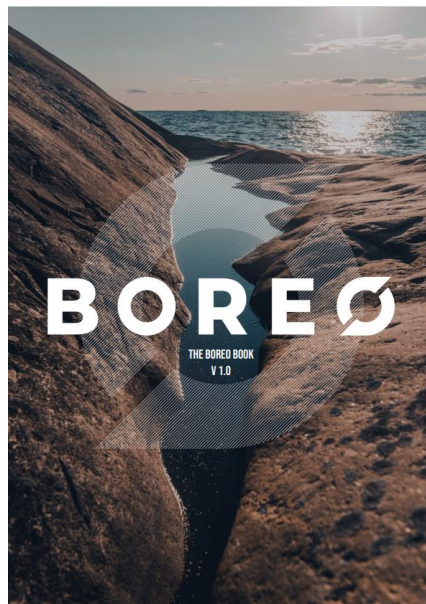
IMPROVING THE QUALITY OF THE COMPANY PORTFOLIO & LONG-TERM VALUE CREATION PLAYBOOK

## 3 ACQUISITIONS

***FILTERIT***



## BOREO BOOK & BOREO WAY



**BOREO**

## SUSTAINABILITY APPROACH

STRONG  
FINANCIAL  
PERFORMANCE

HEALTHY  
ENVIRONMENT

ENGAGED  
PEOPLE

SOUND  
BUSINESS  
PRACTICES

# 2023 | FINANCIALLY CHALLENGING YEAR

**SALES 161M€**

GROWTH +1% VS. 2022  
ORGANIC GROWTH NEGATIVE BY -12M€

**EBIT 9.5M€**

GROWTH +8% VS. 2022

**EBIT MARGIN 5.9%**

IMPROVEMENT FROM 5.4% IN 2022

**CASH FLOW 11.6M€**

OPERATIVE CASH CONVERSION\*\* 129%

**ROCE 11.0%**

IMPROVEMENT FROM 10.4% IN 2022  
ROTC\* 30.3% (26.7% IN 2022)

**2.5X**

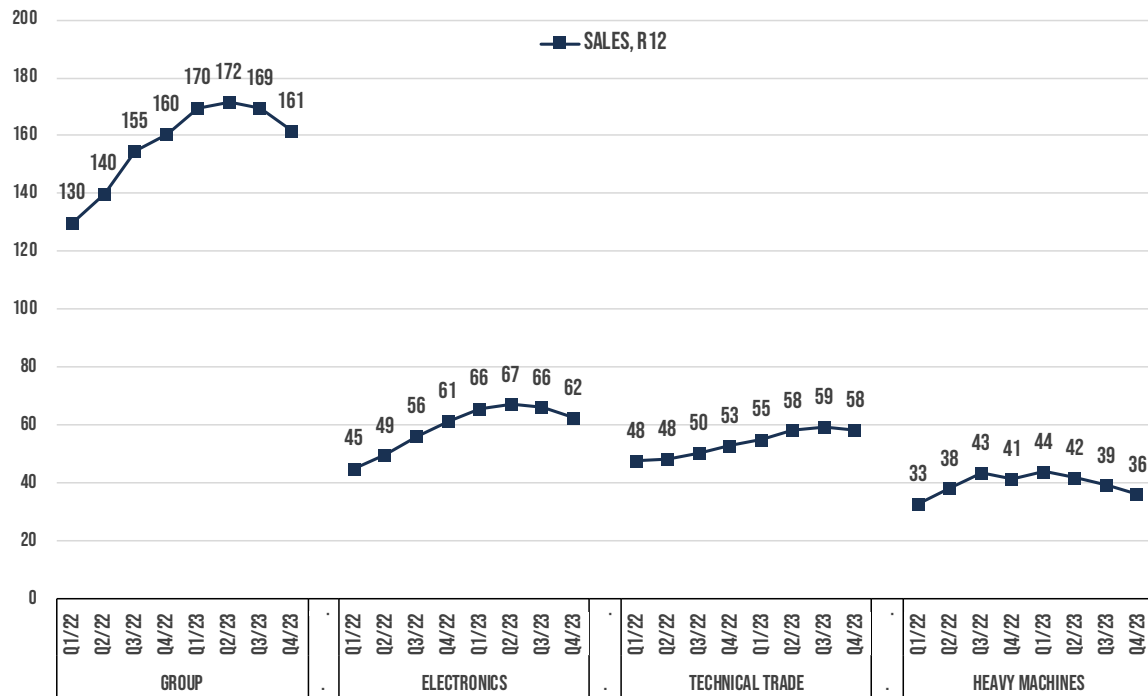
NET DEBT / OPERATIONAL EBITDA Q423  
(2.4X IN Q323)

\* ROTWC: Operational EBIT R12 / Average (trade) working capital R12

\*\* Cash conversion: cash conversion before financing items, see for details in the quarterly report

# 2023 | SALES UNDER PRESSURE

WEAK MARKET CONDITIONS – FOCUS ON PROFITS & CASH FLOWS OVER SALES GROWTH WITH LOW RETURNS



## COMMENTARY

### Organic growth

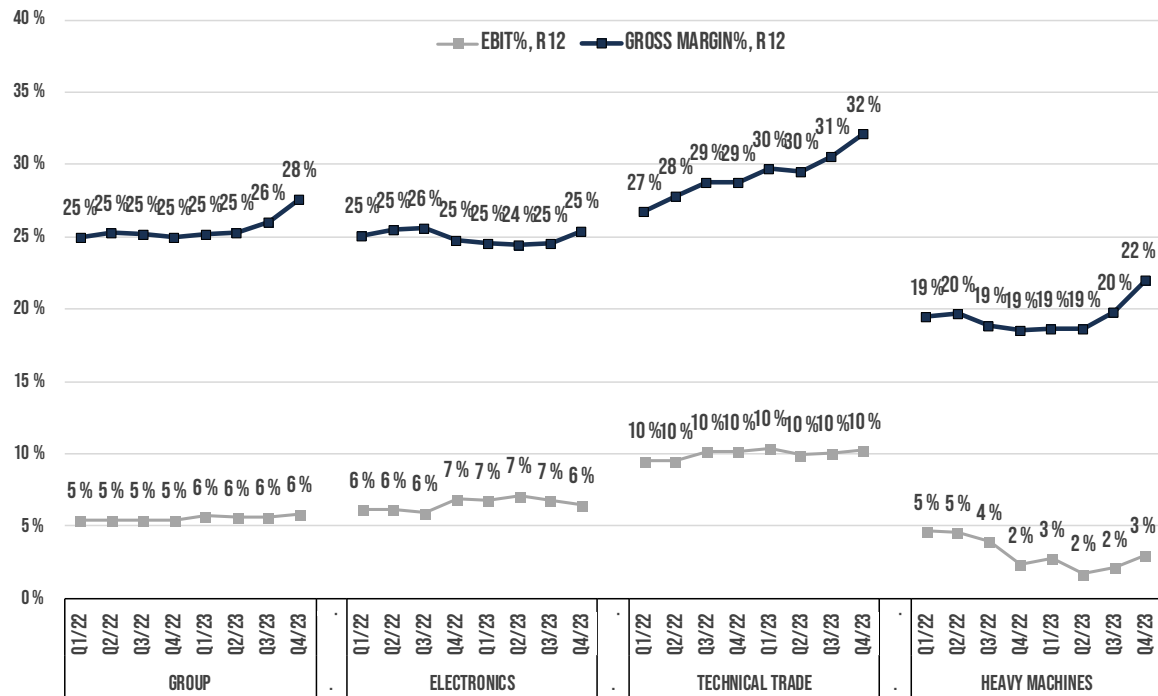
- Negative -12m€ in FY2023
- The most significant decline in SSN, Yleiselektroniikka and SANY Estonia
- SANY exit impact 2.4m€

### Acquisitions

- Impact of 13m€ in FY2023
- Acquisitions completed in 2022 and 2023

# 2023 | SUCCESSFUL MANAGEMENT OF MARGINS

## SUCCESSFUL DEFENDING OF GROSS MARGINS & PROFITABILITY



### COMMENTARY

#### Gross margin

- Successful management of margins
- Impact of sales mix
- Impact of acquired companies (Filterit, Lamox, Delfin)
- Exit from SANY

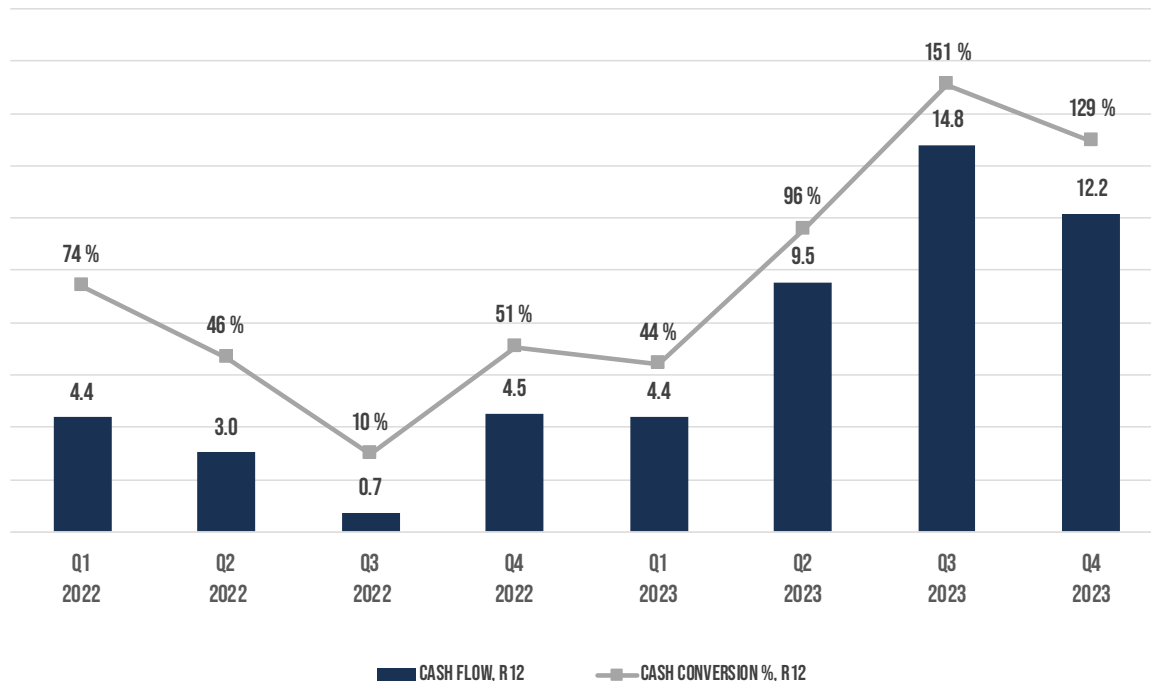
#### Profitability

- Not the level at which profitability should be
- Focus on cost control
- Limited impact of cost initiatives for FY23 result



# 2023 | STRONG CASH GENERATION

FOCUS ON COMPOUNDING CASH FLOW - SUCCESSFUL MANAGEMENT OF WORKING CAPITAL



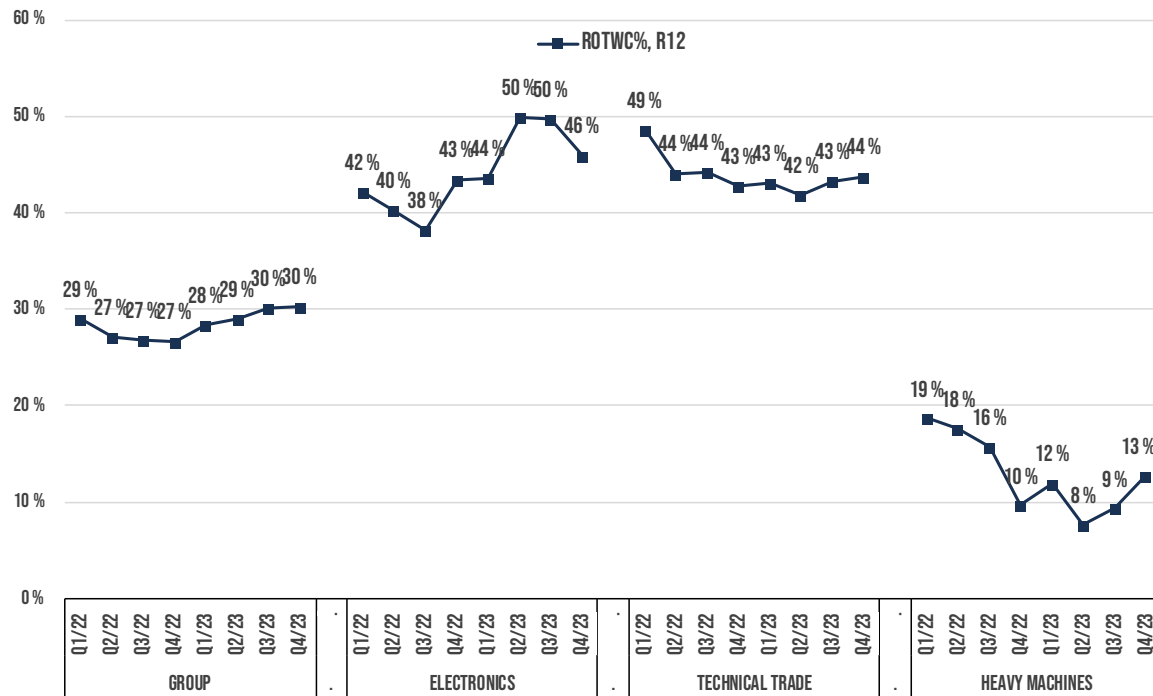
## COMMENTARY

- +12m€ of operative cash flow in 2023
- Cash conversion of 129%
- Working capital release of c. 3m€ in 2023
- C. 7m€ of working capital reduced since 8/22

Figures adjusted for continued operations

# 2023 | A STEP IN THE RIGHT DIRECTION WITH RETURNS

## WITHOUT SANY (EXIT FINLAND & SWEDEN) ROTWC AT 32.3%



### COMMENTARY

- Continued good steps in rooting the return on capital & capital efficiency –mindset to the organization
- ROTWC up from 27% to 30% in R12
- Without SANY, ROTWC at 32.3%

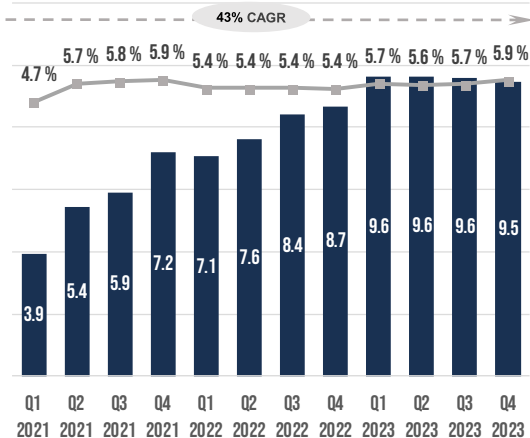
Figures adjusted for continued operations



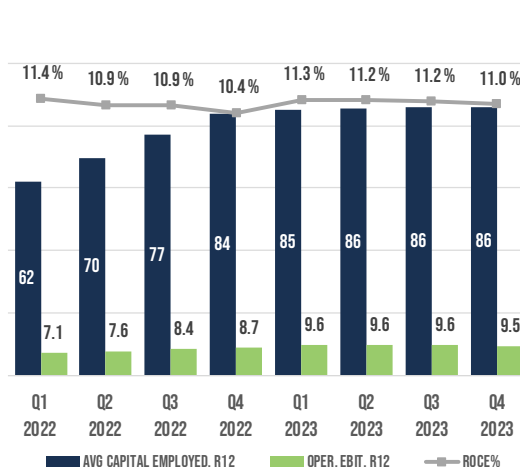
# 2023 | ROOM TO IMPROVE IN PROFITABILITY & RETURNS

## AFTER 3-YEARS OF SIGNIFICANT EARNINGS GROWTH, SLOW-DOWN OF GROWTH IN 2023

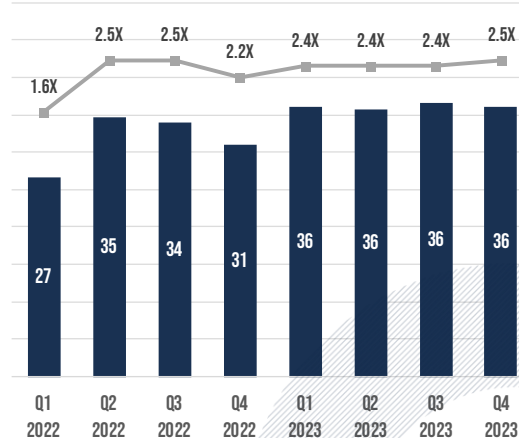
### OPERATIONAL EBIT (€) & EBIT%, R12



### ROCE%



### NET DEBT/OPERATIONAL EBITDA



Q423

**+8%\***

(15%)  
MINIMUM ANNUAL AVERAGE  
OPERATIONAL EBIT GROWTH

**11.0%**

(15%)  
MINIMUM  
ROCE

**2.5X**

(2-3X)  
NET DEBT /  
OPERATIONAL EBITDA

Notes: Figures adjusted for continued operations and \* R12 ending 31.12.2023



# AGENDA

- YEAR 2023
- **STRATEGIC REVIEW**
- Q4 2023
- Q&A



# UPDATED PLAYBOOK TO ACHIEVE PROFIT GROWTH & IMPROVE RETURNS

STRATEGIC TARGETS REMAIN UNCHANGED – SIGNIFICANT POTENTIAL IN EXISTING PORTFOLIO

1

## ACQUISITIONS

OF COMPANIES WITH ABILITY TO  
GENERATE EARNINGS GROWTH, STRONG  
CASH FLOWS AND HIGH RETURNS

2

## INVESTMENTS

IN THE GROWTH OF OUR COMPANIES WHICH  
ALREADY EXCEED THE 50% ROTWC TARGET

3

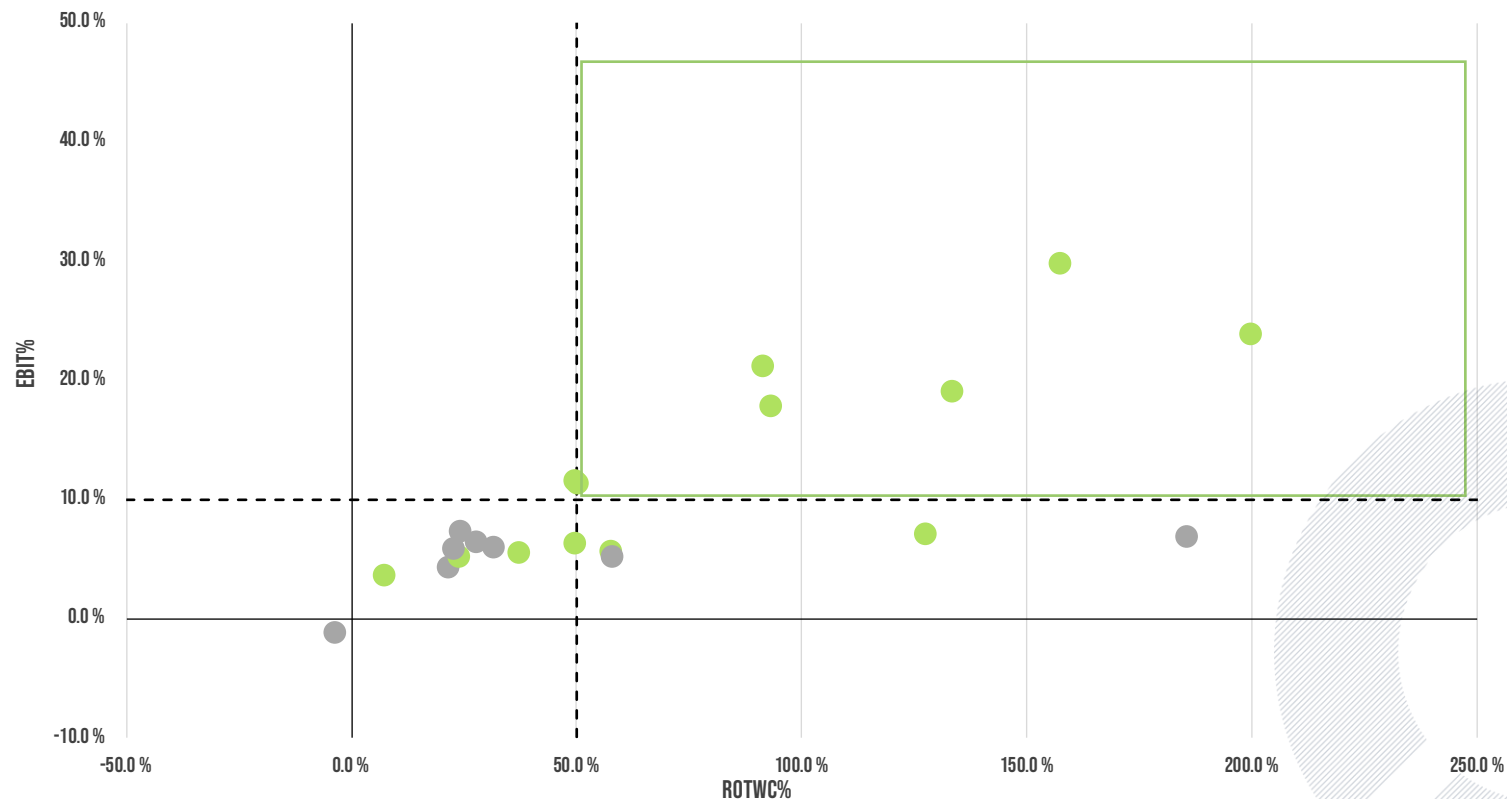
## RE-ORGANIZATIONS

IN COMPANIES OPERATING BELOW THE 50%  
ROTWC-THRESHOLD (SHORT – TO MID-TERM)

*If we are not convinced of the companies' ability to achieve the targets by 2026-2027, we are ready to consider structural actions for the companies.*

# GOAL TO MOVE TOWARDS HIGH MARGINS & RETURNS ON CAPITAL

ROTCW USED IN STEERING OF COMPANIES & INCENTIVES – THRESHOLD OF 50%



Notes: Local GAAP figures as per Q423, local GAAP, R12

**BOREO**

● Companies as part of the Group before Q320  
● Companies acquired since Q320



# AGENDA

- YEAR 2023
- STRATEGIC REVIEW
- Q4 2023
- Q&A



# Q4 2023 | CHALLENGING END FOR THE YEAR

## SALES UNDER PRESSURE

Decline of sales to 37m€ (Q422: 45m€)

Weak market conditions

## MODERATE PROFITABILITY

2.1m€ operational EBIT (Q422: 2.2m€)

Uplift in margin to 5.6% (Q422: 4.9%)

## GOOD CASH FLOW

Cash conversion\*\* 73% (Q422: 171%)

Operational net cash flow 2.1m€

## COST OPTIMIZATIONS OF OVER 1M€

Actions in Boreo HQ, Business Areas and companies

Run-rate impact from H224 onwards

\* ROTWC: Operational EBIT R12 / Average (trade) working capital R12

\*\* Cash conversion: cash conversion before financing items, see for details in the quarterly report

# SHORT-TERM PRIORITIES

## SHORT-TERM ACTIONS TO ENSURE LONG-TERM GROWTH PROSPECTS

1

### PROFITABILITY

- Sales & gross margin management
- Cost control group-wide
- Cost optimization actions of over 1m€ per annum

2

### CASH FLOW

- Target to continue decreasing working capital levels in 2024
- The normal sustainable level of working capital for current group of companies closer to 25m€

3

### FINANCIAL STANDING

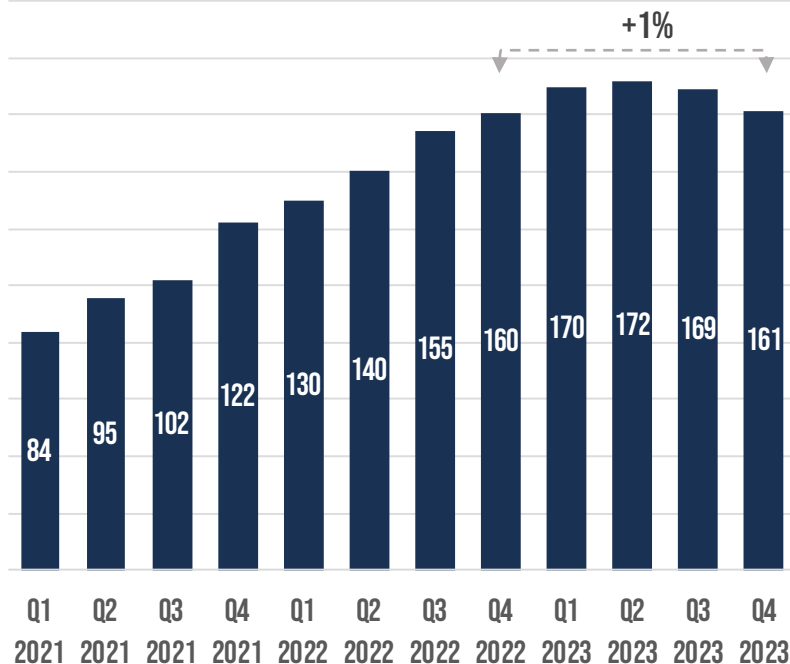
- Prioritization of financial standing over other capital allocation alternatives – goal to maintain leverage at the low-end of the strategic target range 2-3x
- The Board proposes for the AGM not to distribute dividend for FY2023



# Q4 2023 | NET SALES & OPERATIONAL EBIT

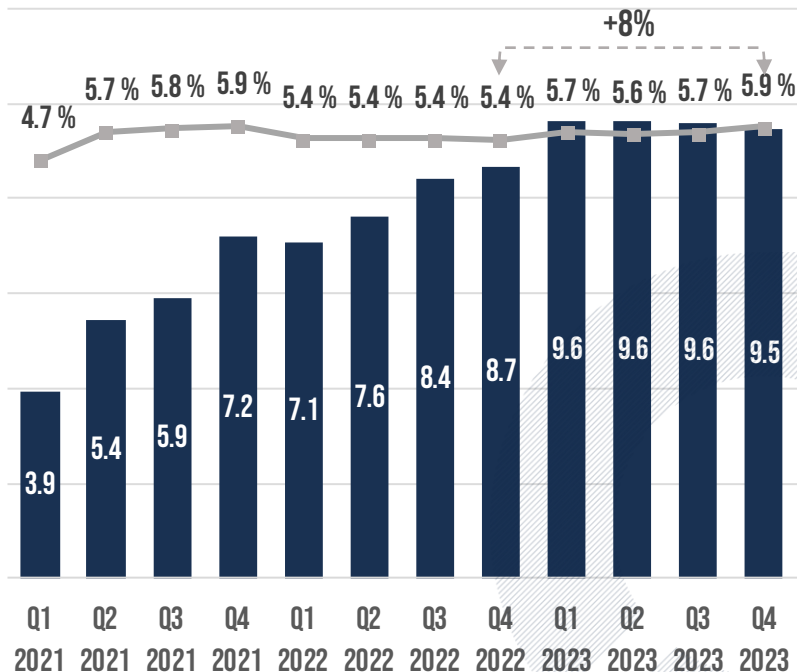
GROWTH OF EBIT BY 8% IN 2023 DESPITE FLAT SALES

## NET SALES, R12 \*



## OPERATIONAL EBIT & EBIT%, R12 \*

STR TARGET > 15% P.A.

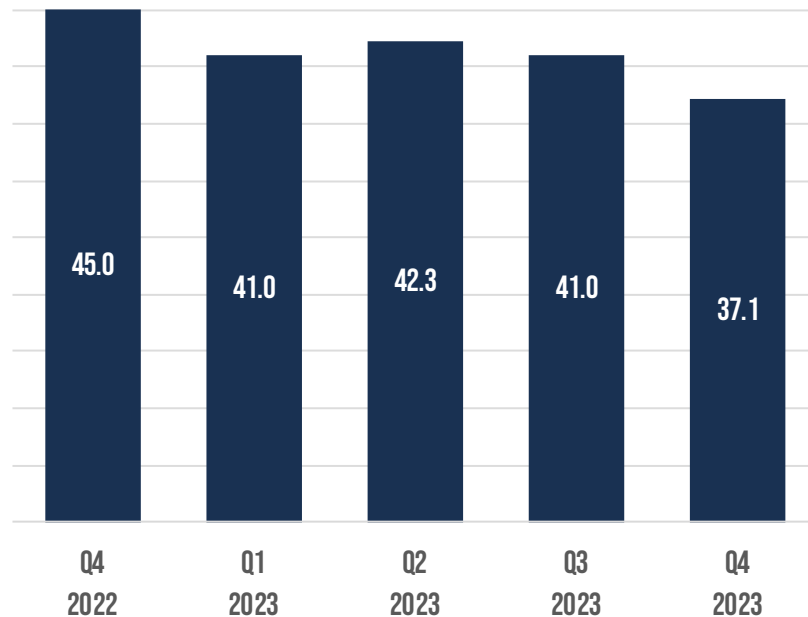


\*Adjusted for continued operations

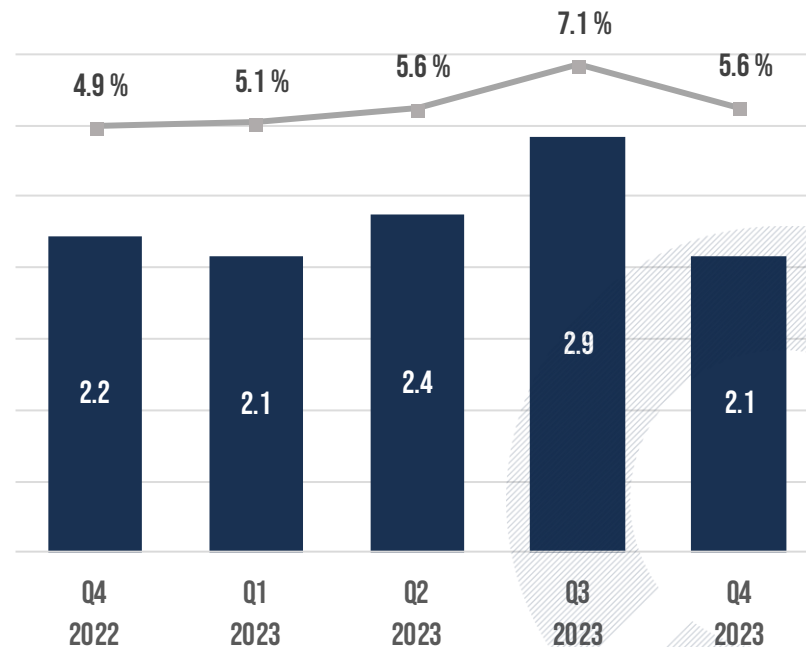
# Q4 2023 | NET SALES AND OPERATIONAL EBIT

DECLINE OF PROFITABILITY IN Q423 DUE TO A 7M€ DROP IN SALES

## NET SALES \*



## OPERATIONAL EBIT & EBIT% \*

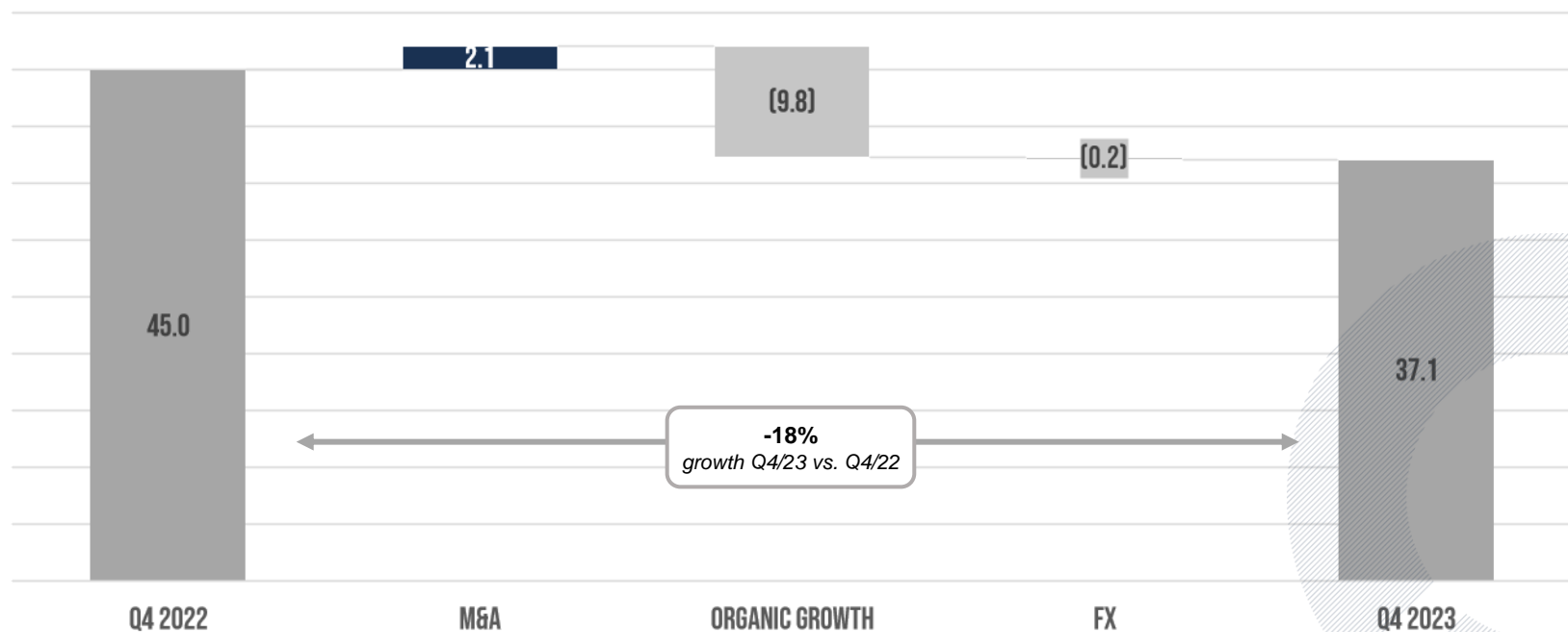


\*Adjusted for continued operations

# Q4 2023 | NET SALES GROWTH

SALES GROWTH NEGATIVELY IMPACTED BY PUTZMEISTER, MACHINERY, YE FINLAND & LATVIA

## NET SALES BRIDGE

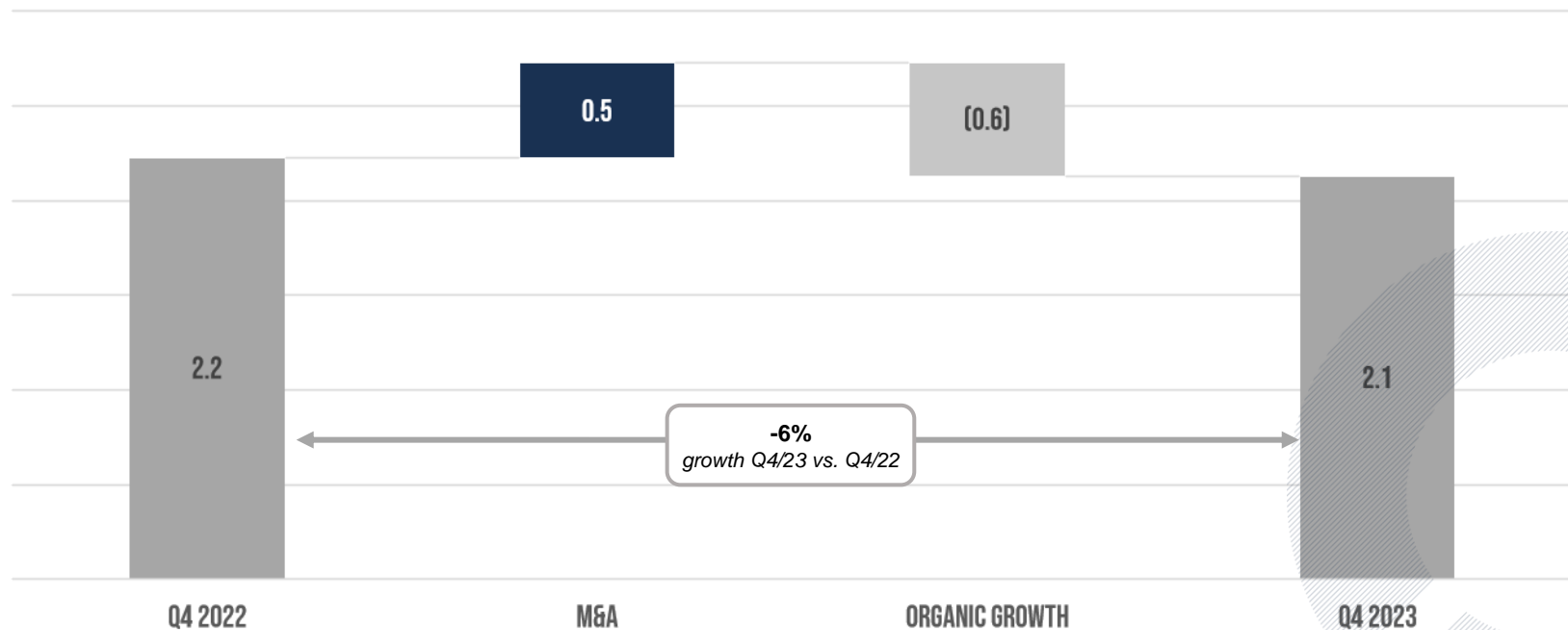


# Q4 2023 | EBIT GROWTH

POSITIVE IMPACT TO EBIT FROM ACQUISITIONS AND FNB & MILCON

NEGATIVE IMPACT LARGEST FROM YE, SSN & NORETRON

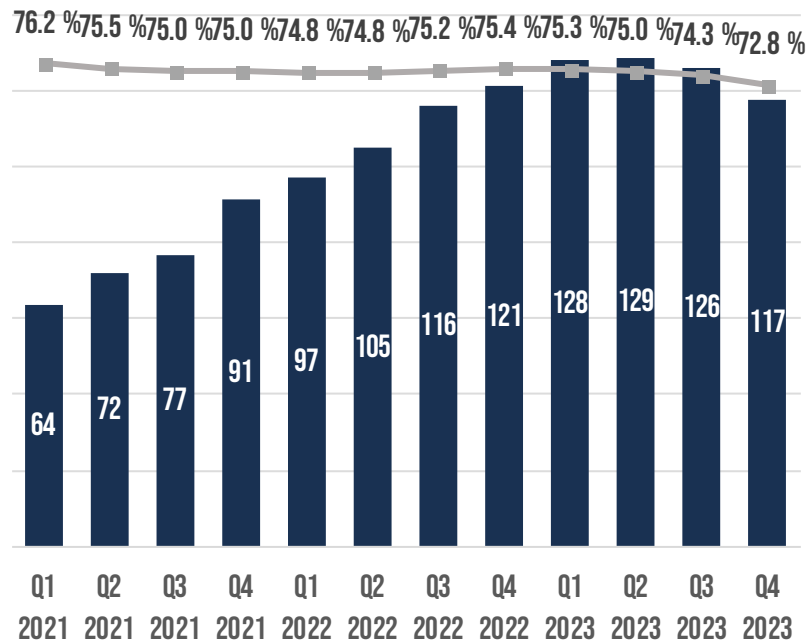
## EBIT BRIDGE



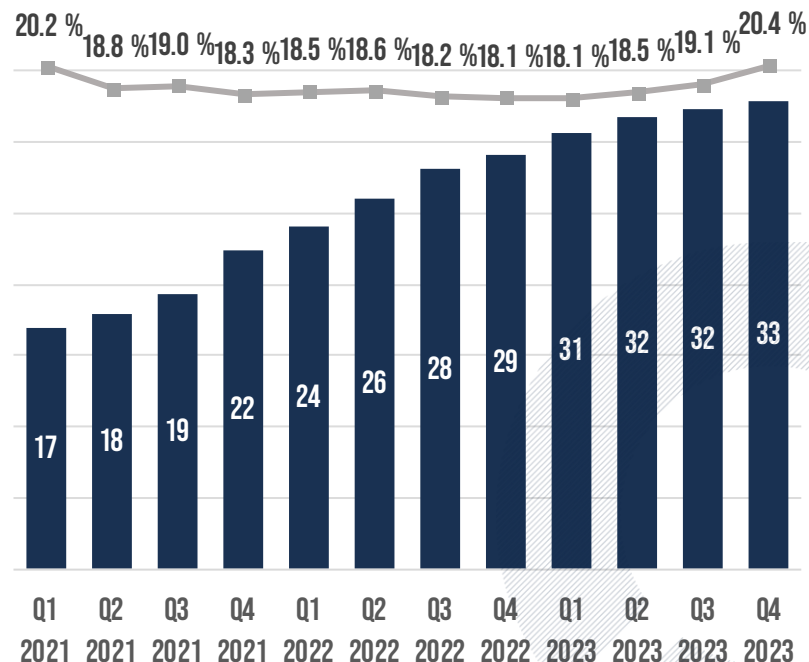
# Q4 2023 | DIRECT COST RATIO AND INDIRECT COST RATIO

DIRECT COST EFFICIENCY IMPROVED DUE TO STRONG GROSS MARGINS, INDIRECT COST RATIO UP BECAUSE OF DECREASED SALES AND NEW COMPANIES

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



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



\*Adjusted for continued operations

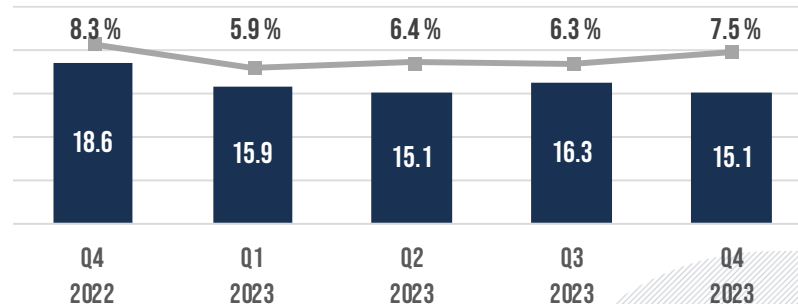
# Q4 2023 | ELECTRONICS

OPERATIONAL EBIT AT 7.5%, POOR RESULT IN COMPARISON TO RECENT HISTORY. OUTLOOK REMAINS MODERATE

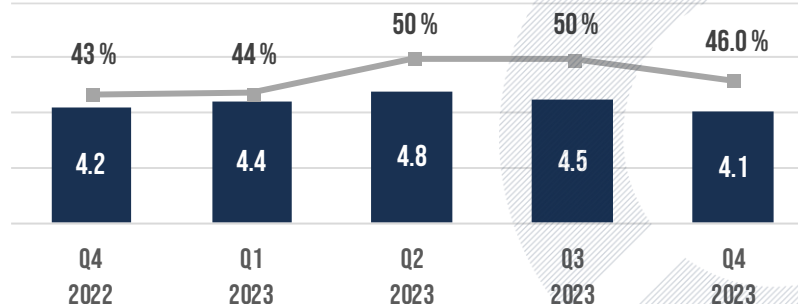
## COMMENTS - Q4 2023

- Finnish operations (Yleiselektroniikka, Noretron, Milcon, Infradex, SSN, Delfin)
  - Yleiselektroniikka: decline in sales and profitability, outlook moderate. [Reorganisations completed in 2/24]
  - Noretron: result clearly below comparison period, outlook moderate.
  - Milcon: Strong end for the year, outlook remains positive.
  - Infradex: result clearly below comparison period, outlook moderate.
  - SSN: result improved from prior quarters but below comparison period. Investment holiday of the main customer continues to impact.
  - Delfin: result moderate, outlook stable and investment program proceeds as planned.
- Baltic electronic component businesses (Estonia, Latvia, Lithuania)
  - Weakening activity from earlier quarters but performance continues at decent levels compared to recent history.
- Capital efficiency
  - Continued strong cash generation supported by good management of working capital – ROTWC declined to 46% due to weak result.

## NET SALES AND OPERATIONAL EBIT%



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



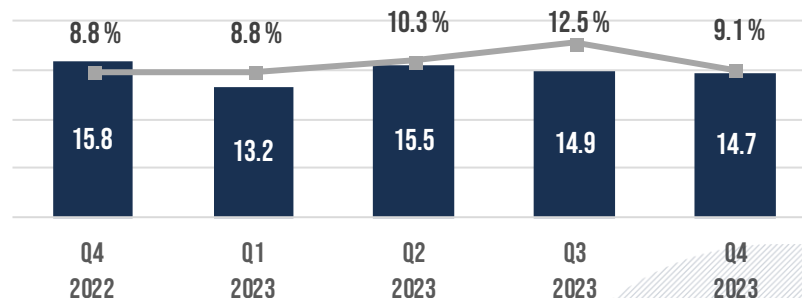
# Q4 2023 | TECHNICAL TRADE

OPERATIONAL EBIT (9.1%) & ROTWC (44%) AT GOOD LEVELS - OUTLOOK DECENT

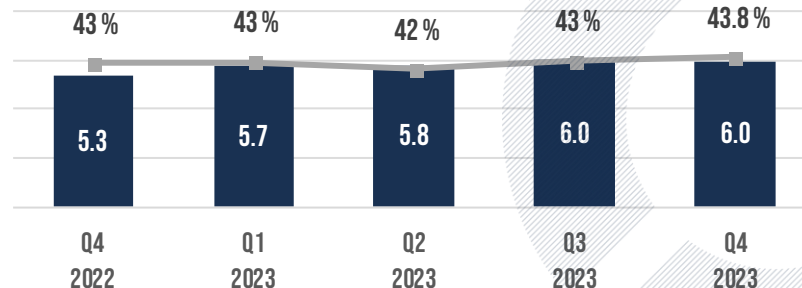
## COMMENTS - Q4 2023

- Machinery Power
  - Strong operating profit above comparison period
  - Decent order backlog supporting outlook
- Construction (Muottikolmio and Machinery's Construction equipment)
  - Weak performance
  - Short-term outlook challenging, cost actions initiated
- Welding & metal machines (Pronius & Machinery's Metal Machines)
  - Pronius: good performance, market outlook is weak but profit generation supported by strong position in the market
  - Metal Machines: decent performance, soft outlook still
- J-Matic & Filterit
  - Good profitability in both businesses. Steady outlook and foundation for long-term profit growth
- Capital efficiency
  - ROTWC increased. Continued good progress in reducing inventory levels in Machinery.

## NET SALES AND OPERATIONAL EBIT%



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





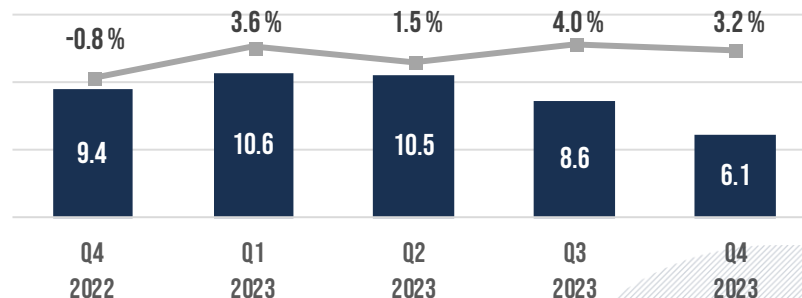
# Q4 2023 | HEAVY MACHINES

PROFITABILITY & CAPITAL EFFICIENCY IMPROVEMENT SUPPORTED BY STRONG AFTER-MARKET AND FNB'S PROGRESS – WEAK MARKET CONDITIONS IN CONSTRUCTION BUSINESSES

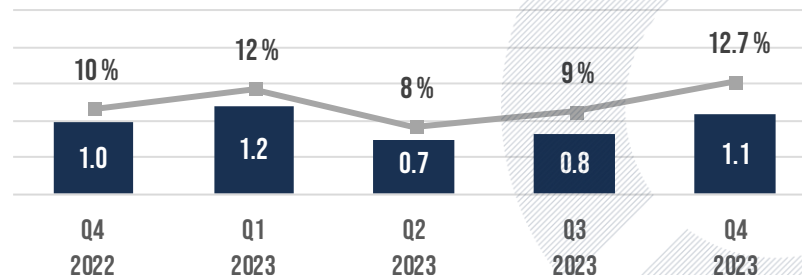
## COMMENTS - Q4 2023

- Putzmeister business
  - Sweden: good result supported by strong aftermarket operations, outlook decent
  - Finland: weak result due to low level of machine deliveries, outlook uncertain
  - Estonia: low level of activity, continued positive steps in strengthening presence in the country
- Sany business
  - Soft market for excavators in Estonia during Q4.
- FNB & Lackmästarn
  - FNB returned back to historical delivery and profitability levels – positive progress made after a challenging H124
  - Continued strong orderbook reaching to H224
- Capital efficiency
  - Capital efficiency improved because of good profitability in Swedish businesses and the impact of SANY exit

## NET SALES AND OPERATIONAL EBIT%



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



# Q4 2023 | OTHER OPERATIONS

STABLE PERFORMANCE IN A CHALLENGING ENVIRONMENT, MARGIN PRESSURES CONTINUE

## COMMENTS - Q4 2023

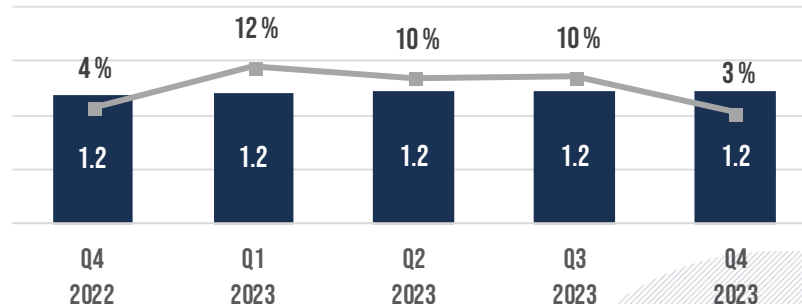


- Performance impacted low volumes both in frame and in express transports. In addition to weak demand, cost pressures continued to affect the profitability of the companies.
- Net sales 1.2m€ in fourth quarter and operational EBIT of 3%.

## BOREO

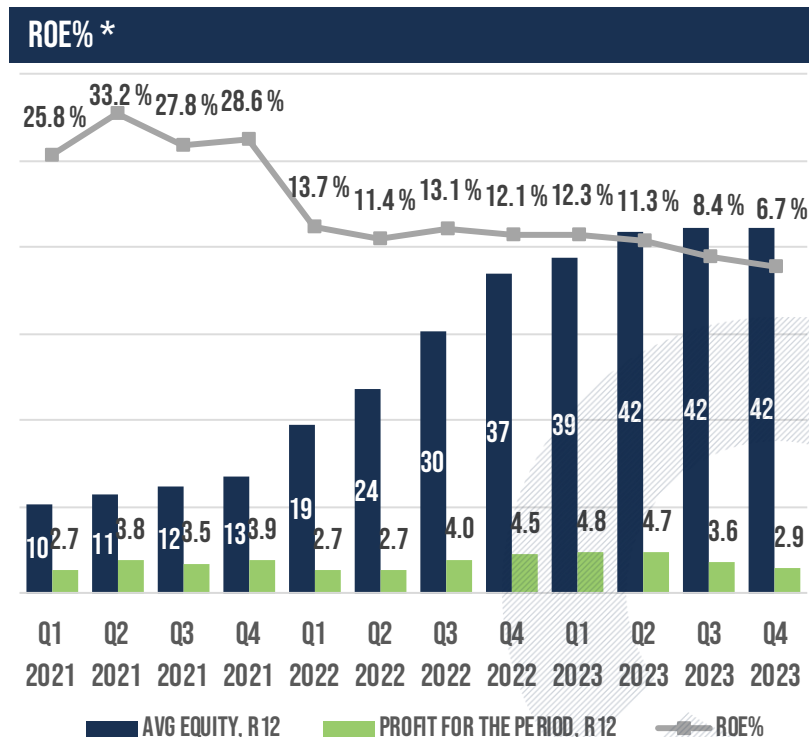
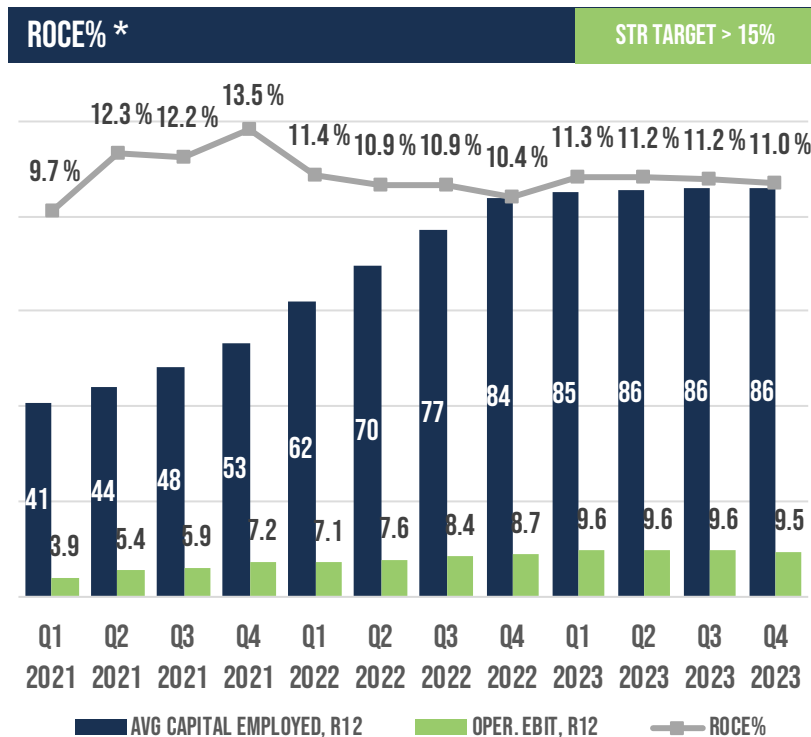
- Group costs of 0.6m€ in Q4/23 (0.6m€)
- Reduction of Group costs (HQ and Business Areas) by c. 0.5m€ from Q124 onwards.

## NET SALES AND EBIT% OF OPERATIONAL COMPANIES



# Q4 2023 | ROCE & ROE

ROCE AND ROE SLIDING DOWN AS A RESULT OF WEAK PROFITABILITY



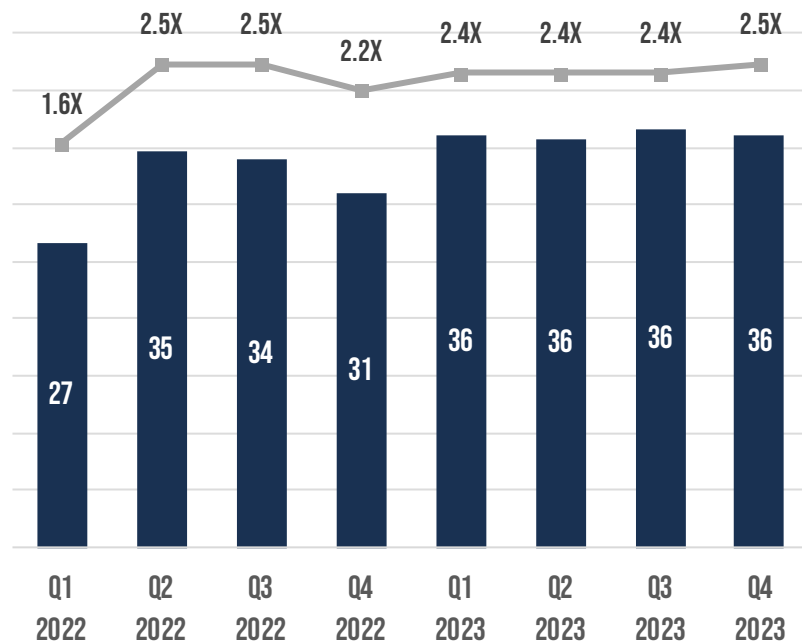
\*Adjusted for continued operations

# Q4 2023 | NET DEBT AND CASH CONVERSION

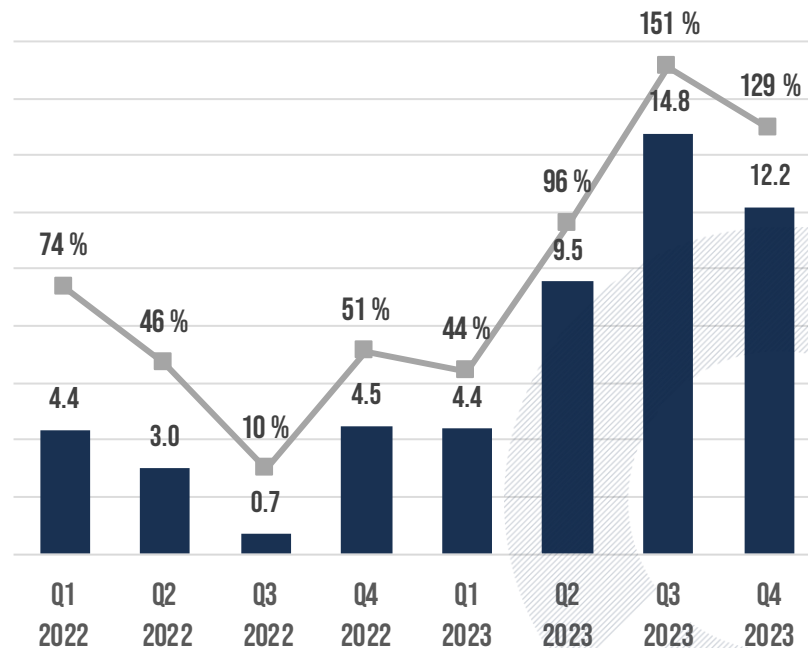
NET DEBT STABLE & CASH CONVERSION RETURNED ON A NORMAL C. 70% LEVEL IN Q4

## NET DEBT & NET DEBT/OPERATIONAL EBITDA\*

STR TARGET 2-3X



## CASH FLOW (R12) AND CASH CONVERSION, % (R12) \*\*



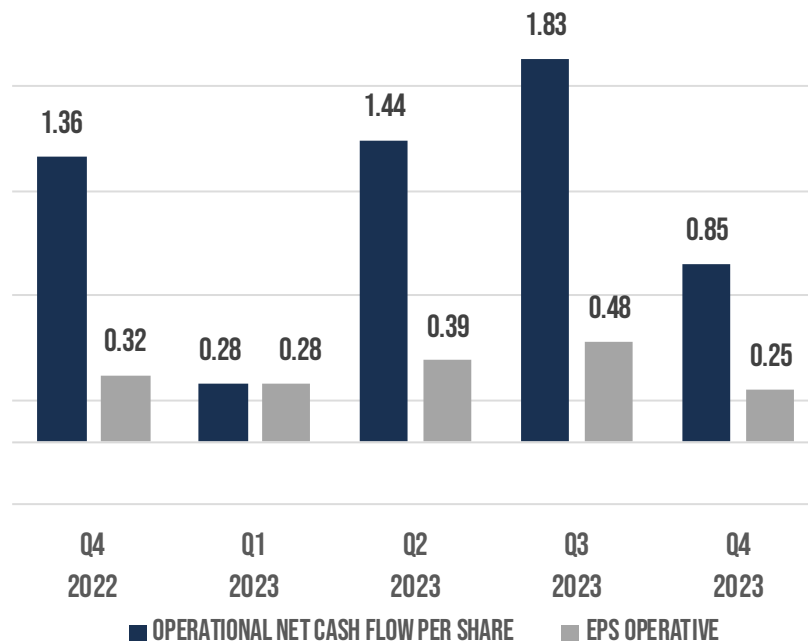
\*ND/EBITDA adjusted for continued operations since Q2/22

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

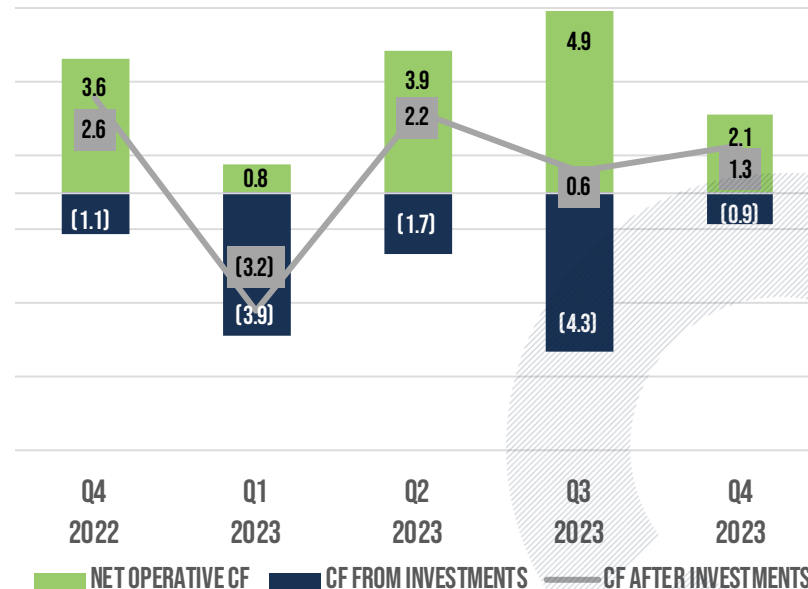
# Q4 2023 | EPS AND CASH FLOW

STRONG OPERATIONAL CASH FLOW SUPPORTED BY WORKING CAPITAL RELEASE

## CASH FLOW AND EARNINGS PER SHARE\*



## CASH FLOW\*



\*Cash flow includes discontinued operations until Q3/22



# AGENDA

- YEAR 2023
- STRATEGIC REVIEW
- Q4 2023
- Q&A





**BOREO**

**Q&A**





**BOREO**

**GROW & PROSPER**

# A LONG-TERM OWNER OF GREAT ENTREPRENEURIAL COMPANIES

**161M€**

NET SALES 2023



**9.5M€ (5.9%)**

OPERATIONAL EBIT 2023



**341**

EMPLOYEES

**21**

COMPANIES



Map excluding USA

**11.0%**

RETURN ON CAPITAL EMPLOYED  
2023



**2.5X**

NET DEBT / OPERATIONAL EBITDA  
Q4 2023



# DIVERSIFIED INDUSTRIAL PORTFOLIO IN 7 COUNTRIES

## BOREO



### ELECTRONICS

**62M€**

2022 Sales

**136**

Professionals

**7**

Markets



Yleiselektroniikka

infradex

Delfin  
Technologies

Signal  
Solutions

YE International  
YE GROUP

norettron  
KOMponentti

MILCON



### TECHNICAL TRADE

**100M€**

2022 Sales

**205**

Professionals

**3**

Markets



MACHINERY

MUOTTIKOLMIO

**FILTERIT®**

**PRONIUS**

automation

TORNIO  
KONE

**pm nordic**

HM NORDIC

Polymer Solutions AB

Eskop













**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

 <b>SIMON HALLQVIST,</b> CHAIRMAN  1 910 225 shares	 <b>CAMILLA GRÖNHOLM,</b> CHAIR OF REMCO  818 shares	 <b>JOUNI GRÖNROOS,</b> CHAIR OF AUDIT COMMITTEE  974 shares	 <b>RALF HOLMLUND,</b> BOARD MEMBER  1,785 shares	 <b>MICHAELA VON WENDT,</b> BOARD MEMBER  701 shares	 <b>NOORA NEILIMO-KONTIO,</b> BOARD MEMBER  245 shares
---	--	--	--	---	---

## MANAGEMENT TEAM

 <b>KARI NERG</b> CEO  42,138 shares	 <b>AKU RUMPUNEN</b> CFO  24,000 shares	 <b>MARI KATARA</b> SVP, PEOPLE & SUSTAINABILITY  5,100 shares	 <b>TOMI SUNDBERG</b> SVP, HEAD OF EBA  5,728 shares	 <b>JESSE PETÄJÄ</b> SVP, M&A & CO-HEAD TTBA  14,560 shares	 <b>RICHARD KARLSSON</b> SVP, CO-HEAD TTBA  24,916 shares
--	---	--	---	---	---

## COMPANIES

 <b>YLEISELEKTRONIIKKA</b> TOMI SUNDBERG	 <b>SIGNAL SOLUTIONS NORDIC</b> TONY AALTONEN	 <b>MACHINERY</b> SILJA FRIGÅRD	 <b>FILTERIT</b> JONAS KORKIAKOSKI	 <b>LACKMÄSTARN</b> RICHARD KARLSSON
 <b>YE INTERNATIONAL AS</b> LAURI EBBERT	 <b>INFRADEX</b> JUSSI AROLA	 <b>MACHINERY</b> JUHA-PEKKA HONKANEN	 <b>TORNOKONE</b> KAJ JÄRVINEN	 <b>ESKP</b> MIKA ERKKILÄ
 <b>YE INTERNATIONAL SIA</b> AIVARS LATKOVSKIS	 <b>MILCON</b> HERMANNI LEHTOMÄKI	 <b>MUOTTIKOLMIO</b> MIKKO AALTO	 <b>PM NORDIC</b> MATTIAS EDVARDSSON	
 <b>UAB YE INTERNATIONAL</b> ANDREJ KOLOBOV	 <b>DELFIN TECHNOLOGIES</b> JOUNI NUUTINEN	 <b>PRONIUS</b> KARI LEHTOMAA	 <b>HM NORDIC</b> MIHKEL TASA	
 <b>NORETRON COMPONENTS</b> JUHA-PEKKA TIAINEN	 <b>DELFIN TECHNOLOGIES</b> JAAKKO HÄMÄLÄINEN	 <b>J-MATIC</b> JARKKO LAUKKANEN	 <b>FLOBY NYA BILVERKSTAD</b> 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

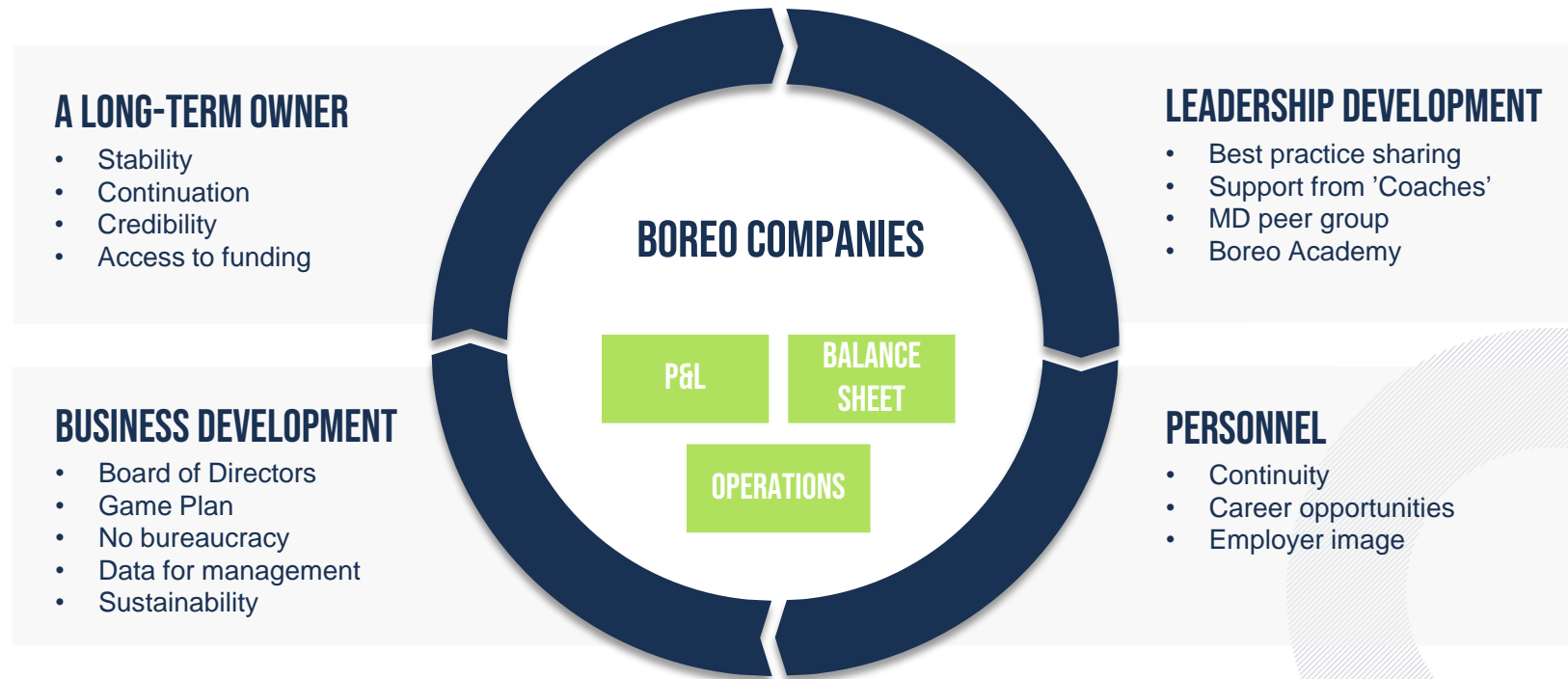
Focus on small incremental improvements and continuous learning

**BOREO**   
WAY

**BOREO** 



# WHAT'S IN IT FOR THE COMPANIES?



# 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**