Björn Borg

Initiation of coverage

07.08.2024 08:00 CEST

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Inderes corporate customer

Serving up profitable growth

Björn Borg has a strong track record of profitable growth, consistently generating value for its shareholders. We see solid growth opportunities in key markets for this strong Nordic brand. The valuation of P/E 15x and EV/EBIT 11x for 2025 looks moderate and a combination of dividends and earnings growth should give around 10-15% expected return. Therefore, we initiate our coverage with an Accumulate recommendation and a target price of SEK 63.

Björn Borg has evolved from an underwear company into a prominent sports fashion brand

Björn Borg is a Swedish sports fashion company offering a wide range of products, including underwear, sports apparel, footwear, and other accessories. The company initially gained recognition for its underwear, which remains a significant asset and the largest product category. However, sports apparel and footwear are becoming increasingly important. Geographically, the company operates in around 20 markets, with roughly 80% of its revenue generated from key markets in Europe.

Over the past decade, Björn Borg has increasingly taken control of its operations to accelerate growth

In the early 2010s, the company outsourced many operations, achieving high EBIT margins but slower growth attributable in our opinion to reduced control and brand loyalty. To accelerate growth, the company took over the design and production of its sports apparel in 2014. The transition has been gradual, as repositioning a brand known for underwear into sports fashion is challenging, although we believe that the pace has accelerated in recent years. The EBIT margin has declined from over 20% in 2010 to 5% in 2020, pressured by acquiring low-margin distribution with unprofitable physical stores and the beginning of the COVID-19 pandemic. In recent years, however, the company has successfully closed unprofitable stores, resulting in EBIT margins of around 11-14%. Additionally, the company's control over its operations has improved, bolstered by the takeover of the footwear category in early 2024, which we believe presents good growth potential.

We expect sales growth and margin improvement to drive 12% earnings growth in 2024-26

Despite relatively sluggish consumer demand, we estimate this year's revenue to amount to good ~955 MSEK with EBIT of around 111 MSEK, mainly driven by the integration of footwear and growth in own e-commerce. In 2025-26, we anticipate revenue growth of ~7-8%, with an EBIT margin of around 12.5%, slightly exceeding the company's financial targets (minimum 5% growth and 10% EBIT margin). We believe this will be supported by improved economic conditions, good growth opportunities in the German market, and higher profitability through an increased share of revenue from e-commerce. In the longer term, however, we expect the company's growth to align more closely with its targets and general market growth.

Strong cash flow, dividends and good earnings growth offer good expected return

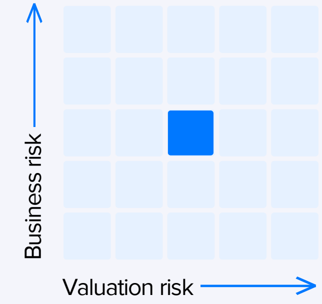
We believe that Björn Borg's multiples for 2025 (P/E 15x, EV/EBIT 11x) are in the low-end of our acceptable valuation and thus looks attractive. In our view, Björn Borg has established itself as a stable dividend payer, due to its strong cash flow, balance sheet and limited investment needs. As we see medium-term earnings growth of good 10% and a dividend yield of some 6%, this offers a return above our required return of 9.7%. We therefore consider the risk/reward ratio quite good and view Björn Borg as an interesting investment opportunity.

Recommendation

Accumulate

63.0 SEK

Share price:
57.3



Key indicators

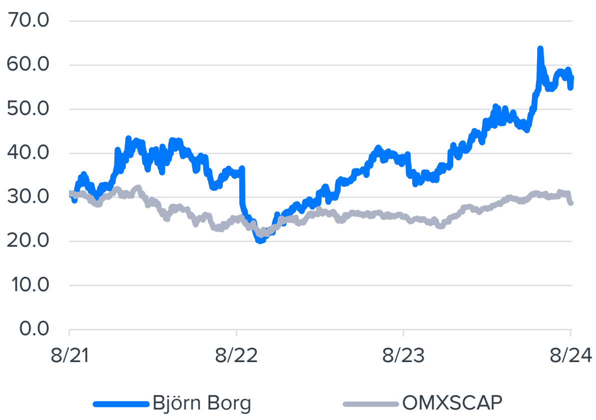
	2023	2024e	2025e	2026e
Revenue	891.8	954.7	1035.2	1106.2
growth-%	4%	7%	8%	7%
EBIT adj.	100.6	110.6	127.0	138.3
EBIT-% adj.	11.3 %	11.6 %	12.3 %	12.5 %
Net Income	76.0	79.4	95.0	107.2
EPS (adj.)	3.02	3.16	3.78	4.26
P/E (adj.)	15.0	18.2	15.2	13.4
P/B	3.2	4.0	3.8	3.6
Dividend yield-%	6.6 %	5.2 %	5.9 %	6.7 %
EV/EBIT (adj.)	11.3	13.0	11.2	10.2
EV/EBITDA	8.5	10.0	9.0	8.6
EV/S	1.3	1.5	1.4	1.3

Source: Inderes

Guidance

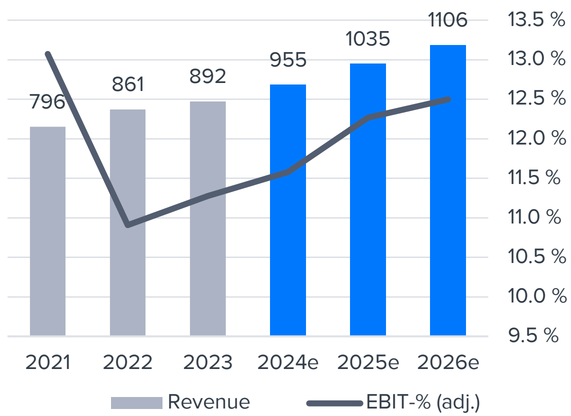
(Björn Borg does not provide guidance)

Share price



Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend / share

Source: Inderes

Value drivers

- Opportunities for geographical expansion in currently smaller markets, especially Germany
- Good growth prospects across all product categories, with sports apparel being the main driver
- Improving margin levels driven by increasing online sales through the company's e-commerce platform and e-tailers
- Integrating footwear business can boost future growth by enhancing quality control, fostering innovation and design

Risk factors

- Strong brand dependence carries risks like trend sensitivity, where the brand may fall out of fashion
- The fashion industry is fiercely competed, and some collections might not appeal to customers
- Risks generated by integrating the footwear category or expansion investments
- Consumers' low purchasing power is a risk to short-term results

Valuation	2024e	2025e	2026e
Share price	57.3	57.3	57.3
Number of shares, millions	25.1	25.1	25.1
Market cap	1441	1441	1441
EV	1440	1424	1412
P/E (adj.)	18.2	15.2	13.4
P/E	18.2	15.2	13.4
P/FCF	19.2	15.0	14.1
P/B	4.0	3.8	3.6
P/S	1.5	1.4	1.3
EV/Sales	1.5	1.4	1.3
EV/EBITDA	10.0	9.0	8.6
EV/EBIT (adj.)	13.0	11.2	10.2
Payout ratio (%)	95.1 %	90.0 %	90.0 %
Dividend yield-%	5.2 %	5.9 %	6.7 %

Source: Inderes

Contents

Björn Borg in brief

Björn Borg is a sports fashion company that offers a range of products including underwear, sport apparel, bags, footwear and other accessories through the Björn Borg brand. The company is represented in around twenty markets, with Sweden and the Netherlands being the largest.

1989
Year of establishment

2007
IPO

872 MSEK (+4%)
Revenue 2023 (YoY growth-%)

+6% 2013-2023
Revenue growth (CAGR-%)

101 MSEK (12% of revenue)
EBIT 2023

41% (37%)
Online sales 2023 as a share of total revenue (2022)

151
Average number of employees 2023

1989 - 2005

- The Björn Borg brand was established in the Swedish fashion market in 1989.
- Worldwide Brand Management (WBM), as the company was then known, held a global license to use the registered trademark Björn Borg in the product categories of clothing, shoes, bags, glasses, and perfume.

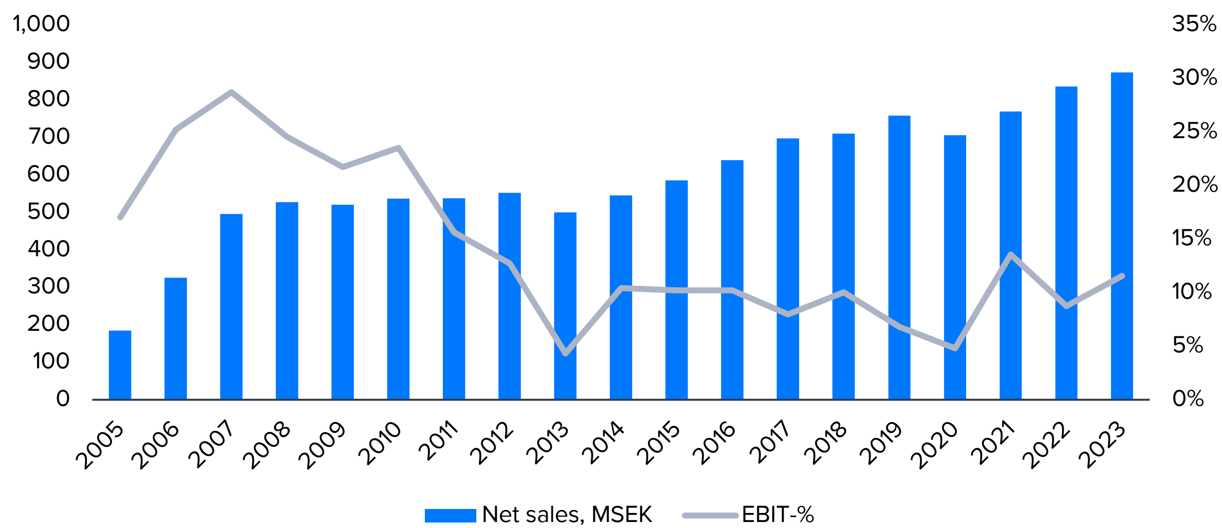
2006 - 2016

- WBM acquired the global brand rights and simultaneously changed its name to Björn Borg AB. The company was listed on the Stockholm Stock Exchange in 2007.
- In 2014, Björn Borg implemented a new business strategy called Northern Star, aiming to transform the brand from being synonymous with men's underwear to being a leading name in sports fashion.

2017-

- In 2017, Björn Borg acquired its former Benelux distributor, aligning with its strategy to get closer to consumers and retailers in its main markets.
- In 2018, the company's digital transformation took off, increasing its share of online sales from 23% to 41% in 2023.
- Björn Borg is currently represented in around 20 markets, the largest being Sweden and the Netherlands.

Revenue and EBIT development



Source: Inderes, Björn Borg

Company description and business model 1/9

Sports fashion company with a strong brand

Björn Borg, named after the famous Swedish tennis player, was founded in 1989 in Sweden and has since grown into an established sports fashion company, especially in Northern Europe. The company is historically predominantly associated with underwear, which has been a major asset for the group, contributing significantly to both revenues and brand awareness. However, relying heavily on a single product category poses high risks and limits growth. Thus, in 2014, Björn Borg made a strategic shift towards increasing its focus on sports fashion. Sportswear and accessories have historically accounted for a smaller part of product revenue, but since the strategy change sports apparel has gone from making up around 10% of revenue in 2014 to 22% in 2023, growing at a CAGR of around 14% during the same period, creating a more diversified business. Today, the company's product offering mainly includes underwear, sport apparel and other products such as footwear, bags and eyewear.

Top 4 markets drive revenue

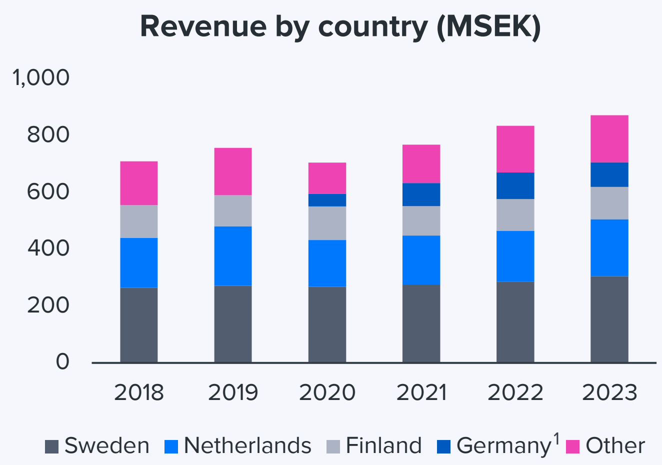
Björn Borg operates in around 20 markets, but over 80% of its revenue in 2023 came from its top 4 markets. These major markets are Sweden, the Netherlands, Finland and Germany.

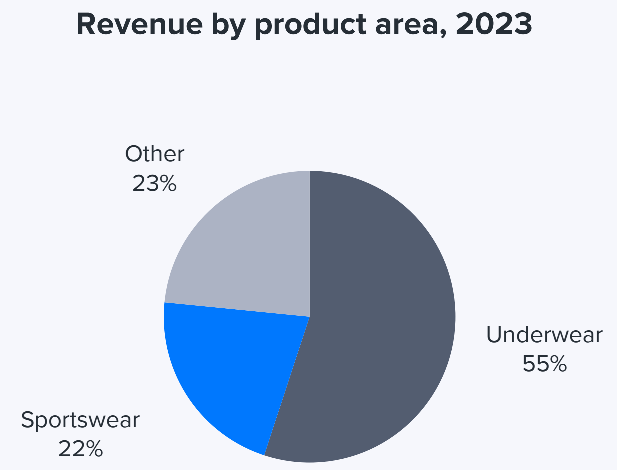
Sweden is the largest market both in terms of revenue as well as number of retailers, and the brand is represented with all product groups. Björn Borg was established on the Swedish fashion market in the first half of the 1990s, and since then, the company has built up a wide distribution network of 1,284 retailers and via own e-commerce. In 2023, revenue from Sweden accounted for approximately 35% of the total revenue. The average annual growth rate of revenue in the Swedish market from 2018 to 2023 has been approximately 3%, solidifying its position as the company's biggest market.

Several other noteworthy individual countries are primarily located within Björn Borg's main market area in Northern Europe. The company expanded its operations to **the Netherlands** in 1993 and the brand quickly established a position in the Dutch market with growing volumes and a wide presence. All product areas are available for sale on the Dutch market, which are sold through approximately 582 retailers and five Björn Borg stores. By 2023, the Netherlands was the second-largest market for the company in terms of revenue (23% of total revenue). The average annual growth rate of revenue in the Netherlands from 2018 to 2023 has been at around the same levels as on the Swedish market at around 3%.

Finland has shown relatively flat average annual revenue growth over the past five years, making it the slowest-growing among the larger markets. However, it remains the company's third-largest market, accounting for around 13% of total revenue in 2023. Underwear is the dominant product, although footwear, sports apparel, and bags are also available. Distribution is mainly through approximately 662 external retailers, with five Björn Borg stores in the country.

Germany has been the fastest-growing market in recent years and is now Björn Borg's fourth-largest market, contributing 10% of total revenue by 2023. The brand was launched in Germany in 2016, and all products are sold through 24 external retailers. The average annual revenue growth rate in Germany from 2020 to 2023 has been around 26%, making it almost as large as the Finnish market.





[1] Germany included in "Other" until 2019
Source: Inderes, Björn Borg

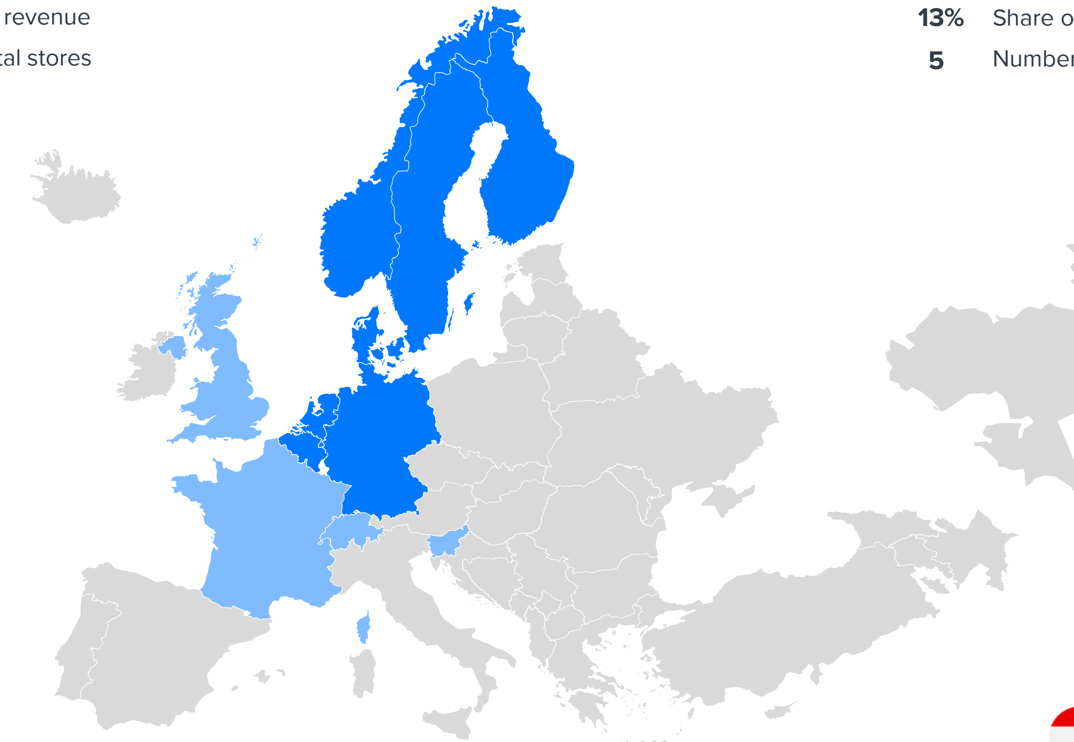
Company description and business model 2/9 - Björn Borg's markets

1,284	Number of retailers
35%	Share of total revenue
5	Number of total stores

722	Number of retailers
4%	Share of total revenue
1	Number of total stores

662	Number of retailers
13%	Share of total revenue
5	Number of total stores

440	Number of retailers
3%	Share of total revenue
0	Number of total stores



Björn Borg's largest markets

Smaller markets [1]

Non-market area

24	Number of retailers
10%	Share of total revenue
0	Number of total stores

188	Number of retailers
4%	Share of total revenue
2	Number of total stores

582	Number of retailers
23%	Share of total revenue
5	Number of total stores

Number of retailers, share of total revenue and number of total stores by 2023
[1] Smaller markets constitutes ~8% of total revenue by 2023 and include England, Switzerland, the US, Slovenia, France and Canada
Source: Inderes, Björn Borg

Company description and business model 3/9

The value chain in brief

Björn Borg's value chain begins with product design and development. The largest and strategically important product areas of underwear, functional clothing, bags and footwear are owned and developed within the group. The product development of other product areas, like glasses, are licensed to external units. Each product-responsible company, regardless of whether it is group owned or not, is responsible in its respective area for design, product development and purchasing of collections for all markets.

The foundations of the products lies in raw materials, which the company sources from external suppliers, while it manufactures its products mainly in China. However, in recent years some production has been moved to Europe, which means shorter delivery times. The emphasis is on sustainable materials and ensuring that suppliers follow Björn Borg's guidelines for working conditions as well as the environment.

Once raw materials are procured, they undergo processing and manufacturing stages. The collections are displayed and sold to the distributors on the various geographical markets for further sale to the retailers. Several times a year, Björn Borg brings together all its distributors for sales meetings, where new collections and marketing campaigns are shown, and strategies and planning are discussed.

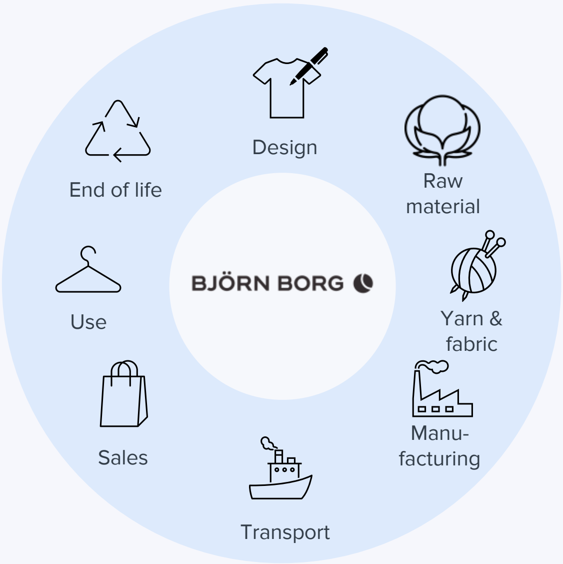
Hybrid business model seems justified

Björn Borg's business model includes both own units and a network of independent partners, such as external distributors, licensees, franchised stores and other retailers. In the model, Björn Borg is responsible for the development of the Björn Borg brand as well as implementation of and compliance with the brand strategy within the network. The company works as a service organization providing its distributors with guidelines and various tools, including marketing, displays and graphic identity which creates brand consistency and is efficient for the distributor. Furthermore, Björn Borg has its own operations at every level of the value chain, from product development to distribution and retail sales.

In our view, the combination of in-house operations and independent partners enable Björn Borg to be involved in key links of the value chain and develop the brand internationally while it can have a relatively small organization with limited financial investments and risks. Furthermore, by outsourcing parts of its operations, Björn Borg can achieve high consumer sales with limited capital investment, as external partners handle marketing, investments, and inventory in their respective markets. Additionally, given the relatively low price points, a broad distribution strategy is justified, as the company does not need to protect an exclusive or high-end brand image.

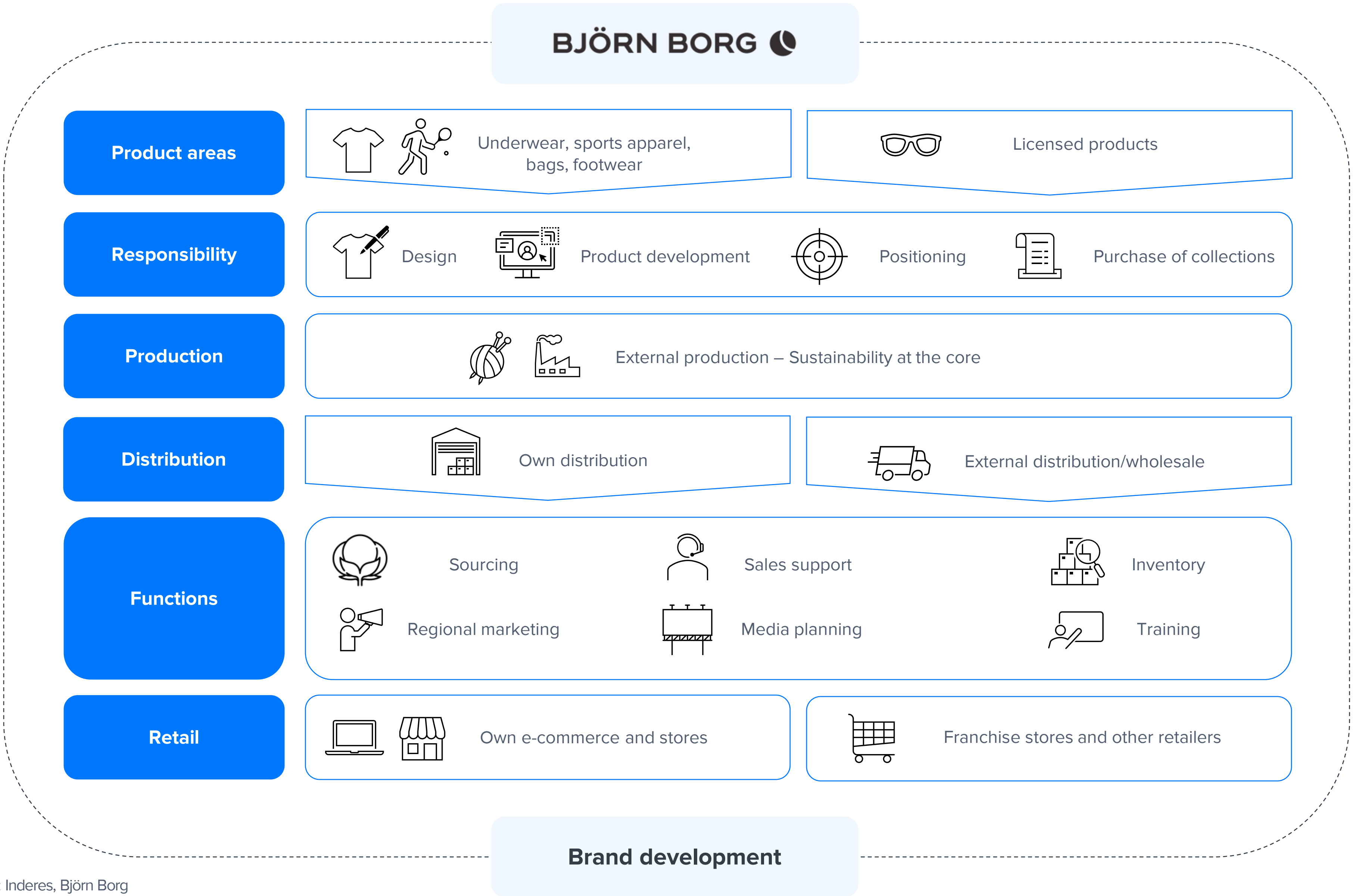
While partially relying on external partners may involve risks such as margin erosion, reduced brand loyalty, and potential business disruptions if distributors face financial difficulties, we believe the advantages of the hybrid model outweigh these potential drawbacks.

Björn Borg's value chain



Source: Inderes, Björn Borg

Company description and business model 4/9 - Graphic of business model



Source: Inderes, Björn Borg

Company description and business model 5/9

Distribution channels

Björn Borg uses several different sales channels to distribute its products, and the revenue streams are divided into wholesale, own-ecommerce, own stores, distributors and licensing.

Wholesale business

The company conducts wholesale operations, i.e., selling to retail chains such as Stadium and XXL, in Sweden, Germany, Finland, the Netherlands, Belgium, and Denmark of underwear, sports apparel, and bags, as well as footwear in Sweden, Finland, and Denmark. Wholesale is by far the company's largest segment, accounting for 66% of total revenue, and it has grown at a stable rate of approximately 4% CAGR over the past five years. The operating profit has grown relatively in line with revenue, maintaining an average operating margin of around 10%.

Consumer direct

Historically, Björn Borg reported its direct-to-consumer revenue in one segment, but since 2021 the company has divided it into two segments: own e-commerce and own stores. Own stores have shown a slight decline in revenue (CAGR: -4%) and have had negative profitability since 2021. As of 2023, Björn Borg owns and operates a total of 16 stores and factory outlets in Sweden, the Netherlands, Finland, and Belgium. The company has closed stores over the past five years due to changing consumer behaviors, market dynamics (e.g., increasing online sales), and the impact of COVID-19, resulting in a decline of around 50% since 2018. However, as in-store revenue have declined, own e-commerce has become the fastest-growing segment over the past three years (CAGR: 24%) and showed a high operating margin of around 19% in 2023. We believe this suggests that Björn Borg has managed to retain customers who previously shopped in physical stores. This trend is encouraging as e-commerce is less capital intensive (e.g., better cash flow) and indicates that the online sales channel can effectively expand the geographic reach of its product range.

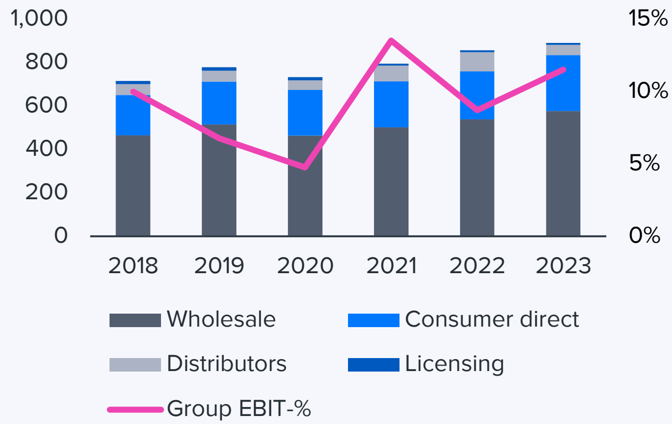
Distributors

The distributors segment mainly consists of revenue and costs associated with revenue to distributors of product groups developed in-house by the company. The largest distributor market is Norway, followed by Great Britain and other smaller markets. However, this segment constitutes a small part of the company's total revenue, as most operations generate internal revenue, i.e., revenue to distributors who then resell Björn Borg's products to retailers.

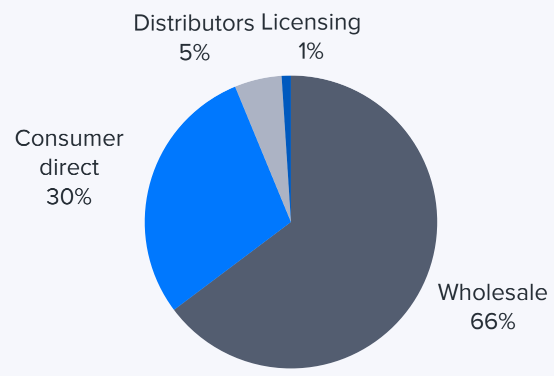
Licensing

The licensing segment includes royalty revenue from distributors and wholesale revenue of Björn Borg products to retailers. It is the smallest segment, with royalties mainly from footwear and glasses. During Q1'24, Björn Borg took over the distribution of the footwear category after its licensing partner went bankrupt. While the bankruptcy caused short-term supply chain disruptions, the company experienced a growth of 128% in its own e-commerce for footwear at the beginning of 2024, indicating good potential for this product category if successfully integrated into the company's other activities. Nevertheless, since the footwear category previously made up a significant part of the licensing revenue, we estimate that this segment will constitute a very small part of the group's operations going forward.

Revenue by segment (MSEK) and group EBIT-%



Revenue distribution by segment, 2023



Source: Inderes, Björn Borg

Company description and business model 6/9

	Wholesale	Own e-commerce	Own stores	Distributors	Licensing
Description	The segment consists of revenues and expenses associated with Björn Borg's wholesale operations. The Group conducts wholesale of underwear, sports apparel and bags, as well as footwear in Sweden, Finland and Denmark.	The segment consist of revenues and costs associated with sales of underwear, sports apparel, footwear, bags and complementary products, via own e-commerce.	The segment consist of revenues and costs associated with sales directly to consumers via its own physical stores. The Björn Borg Group owns and operates a total of 16 stores and factory outlet stores.	The distributor segment mainly consists of revenue and costs associated with sales to external distributors of product groups that are developed in-house by the company.	The license segment consists mainly of royalty revenue from licensees as well as group costs associated with license operations.
Primary markets					
Revenue (Average as of total revenue, 2021-2023)	65%	15%	13%	9%	1%
Revenue growth-% (CAGR 2021-2023)	7%	24%	-4%	-19%	-3%
EBIT-% (Average 2021-2023)	11%	18%	-12%	20%	85%

Source: Inderes, Björn Borg

Company description and business model 7/9

Peak season in third quarter

In general, seasonality impacts Björn Borg's operations with the third quarter typically being the strongest and the second quarter showing lower performance. This pattern is primarily driven by the ordering practices of many retail partners, rather than fluctuations in consumer buying behavior. Retailers place their orders with Björn Borg a year in advance, leading to fulfillment and invoicing predominantly occurring in the third quarter. This causes a pronounced concentration of revenue during Q3. Since the company's cost base remains relatively stable throughout the year, operating profits peak in the third quarter and are comparatively lower in the second quarter.

The primary sourcing currency is USD

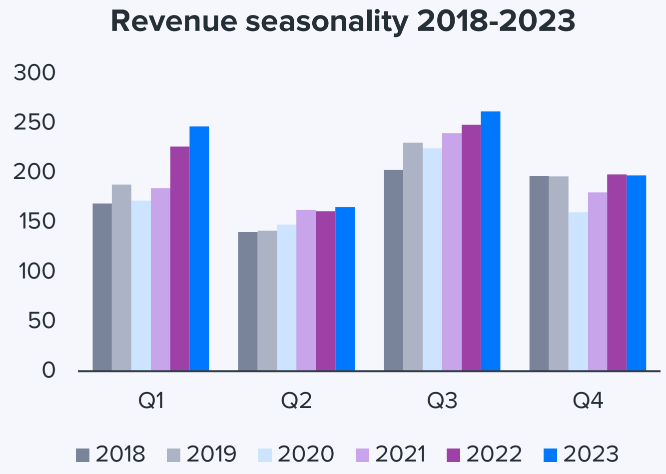
We believe that Björn Borg faces notable currency risks due to its operations in different countries and its decision not to use currency derivatives to hedge exchange rate exposure when selling and purchasing in foreign currencies. These currency risks include translation risks, exchange losses when converting foreign subsidiaries' net assets into Swedish krona, and transaction risks.

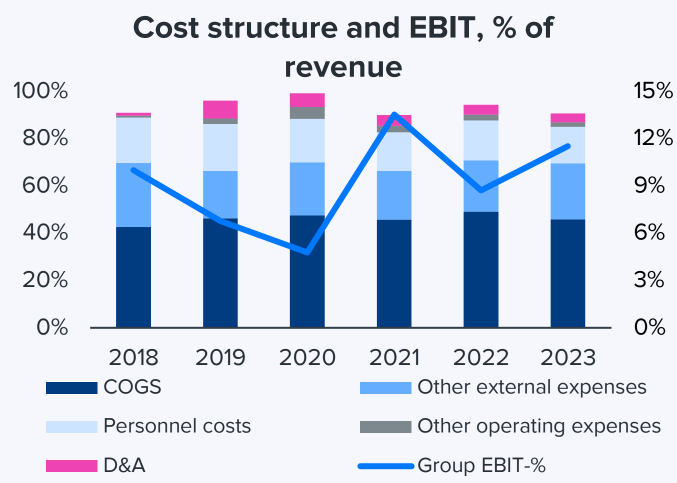
Transaction risk refers to the exposure from purchases and sales in foreign currencies. The company's largest currency exposures are to the USD and the EUR, with approximately 75% of purchases made in USD and around half of Björn Borg's revenue generated in EUR. According to the company's sensitivity analysis, a 10% appreciation of the USD against the SEK would result in an estimated 26% decrease in operating profit. Although hedging can be somewhat complex and costly, we believe the benefits of minimizing exchange rate volatility on profits outweigh any potential drawbacks. Therefore, we would prefer to see the company implement hedging strategies.

Cost structure entails high scalability

Approximately 46% of Björn Borg's costs relative to revenue are attributed to the cost of goods sold, which includes raw materials, labor, manufacturing overheads, and shipping costs. Personnel costs have decreased from 19% of revenue to around 16% in 2023, mainly due to a reduction in staff following the closure of unprofitable stores. Other external costs, which encompass expenses related to premises, marketing activities, and administrative expenses, remained at around 20-25% of revenue over the past five years. These costs have increased relative to revenue in recent years, primarily due to higher marketing expenses aimed at enhancing brand awareness. Although depreciation and amortization have risen somewhat over the last five years, these costs remain modest, accounting for about 2% of total revenue in 2023. Overall, approximately 49% of the costs are fixed, while 51% are variable.

Björn Borg's degree of operating leverage (DOL) has historically been high, around 1.8, indicating that a 5% increase in revenue is anticipated to result in a 9% increase in operating income. This is relatively high compared to the general retail industry, which typically has lower operating leverage. Thus, we believe the company has high scalability but also carries a higher risk of potential losses if its operating performance falls short.





Source: Inderes, Björn Borg

Company description and business model 8/9

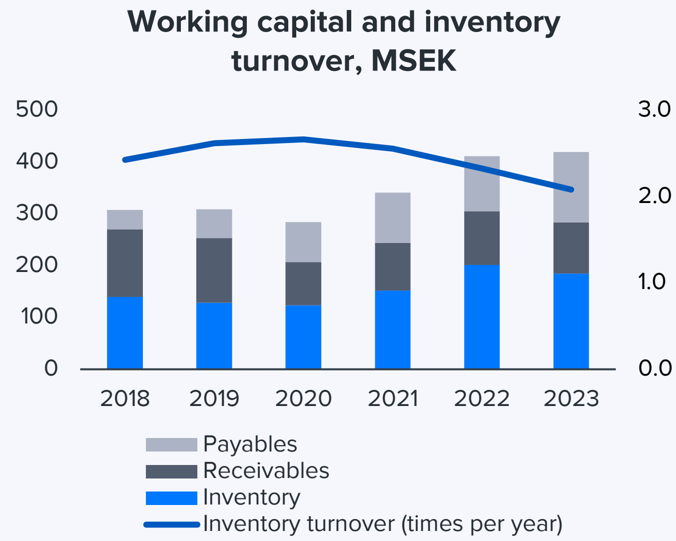
Working capital is mainly tied to inventories

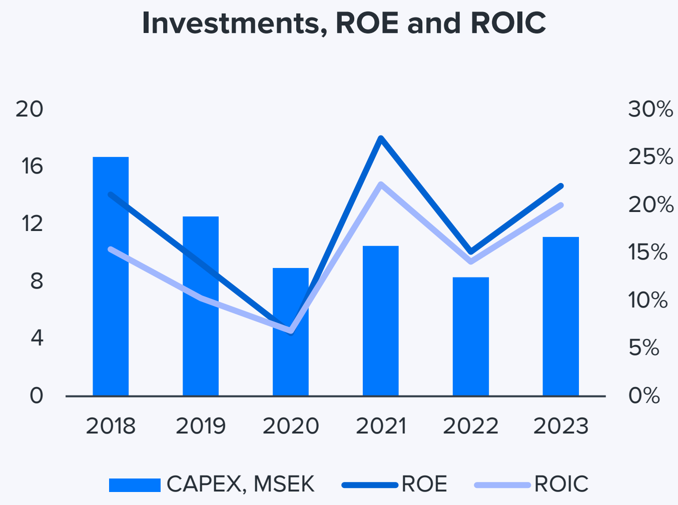
In the sports fashion industry, where Björn Borg operates, inventory management is critical for maximizing profits and generating high cash flow. In the early 2010s, Björn Borg demonstrated high levels of inventory turnover, reaching around 6-7 times per year, thanks to its business model that relied heavily on external partners. In 2017, the company acquired its Benelux distributor and brought distribution in key markets in-house. This led to a higher degree of control over the sale and marketing of Björn Borg products but also increased tied-up capital in the form of inventory and accounts receivable. As a result, inventory turnover has decreased from historically high levels to around 2.5 times per year over the last five years, meaning the company's inventory is sold and replenished approximately 2.5 times annually. While this figure is somewhat lower than the general apparel industry, it aligns relatively well with main competitors such as Adidas and Nike. We consider the current inventory turnover rate quite good.

Investments should be moderate

Historically, the investment rate has been relatively modest. In the early 2010s, most investments were directed toward new and renovated stores. In recent years, however, the company has closed unprofitable physical stores and shifted its investment focus more toward developing the e-commerce platform and outlets, although investments have remained moderate at around 1% of revenue. Depreciation and amortization, excluding IFRS 16, was around 12 MSEK, which we see as a good long-term proxy for capital expenditures, even if it could be somewhat lower in the short term.

We believe Björn Borg's investments will continue to focus on its own e-commerce platform and, to some extent, outlets, which will be an important means of clearing excess inventories. Meanwhile, company-owned retail stores are expected to receive less focus. Nevertheless, due to Björn Borg's capital-light business model and effective capital allocation, the company has consistently achieved high returns on capital, exceeding its cost of capital, which we believe it will continue to deliver going forward.





Source: Inderes, Björn Borg

Company description and business model 9/9

Ownership structure

The Björn Borg share was listed on the Mid Cap list of Nasdaq Stockholm in May 2007, but has been on the Small Cap list since January 2013. All shares carry equal rights to participate in the company's assets and profits.

The largest individual investor in Björn Borg is Martin Bjäringer (9.9% of the capital and votes), who also has been director in the board between 2014-2018. Other major shareholders include current board members Mats Nilsson (6.5%), the Schottenius family (5.6%) where Johanna Schottenius is director, and Fredrik Lövstedt (3.8%). Heiner Olbrich, the chairman of the board since 2017, owns a minor share of the company of 0.2%. Total insider ownership by the management and the board amounts to some 13%, reflecting skin in the game and conveys to investors that the company will likely put its best foot forward to generate returns for its investors. However, most of the insider ownership is referred to the board, while total management ownership only amounts to 0.5%. We believe that the CEO Henrik Bunge's holding is at reasonable levels of 110,000 shares, e.g., compared to the annual salary. However, the holdings of others in management (average of ~4,100 shares) is relatively small, and we would like to see larger holdings by the management.

In 2023, the annual general meeting decided on the introduction of a warrant-based incentive scheme for 2023-26. The incentive program involves 300,000 warrants, where each warrant entitles the holder to subscribe for one new share in the company, to be distributed to a maximum of 16 persons.

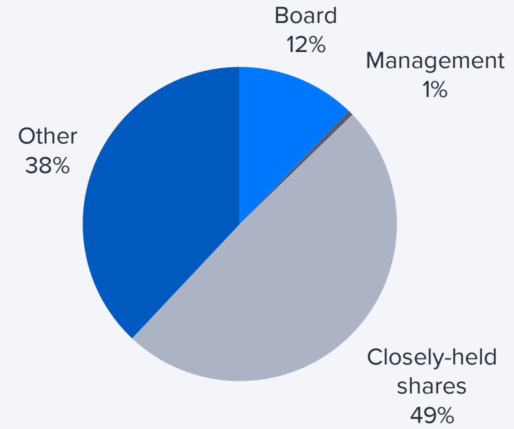
Management team has strong background from retail

Björn Borg's management team consists of seven members, including Henrik Bunge, who has been serving as the CEO since 2014 when the company made a strategic shift towards increased focus in sports fashion. Bunge has a solid background and strong experience from strong retail brands such as Peak Performance, Adidas and Hästens Sängar. Jens Nyström has been the company's CFO since 2018 and has many years of experience in various financial positions, including CFO at Haglöfs. Other members of the management team have served the company for 4-8 years and have experience from prominent apparel and retail firms, which we see as positive.

The management's variable remuneration is based on performance in relation to defined and measurable revenue and earnings goals, designed to promote the company's business strategy and long-term value creation. The variable renumeration can be a maximum of 50% of the fixed salary during the measurement period, which is normally one year. In our view, this is quite straight forward and justified.

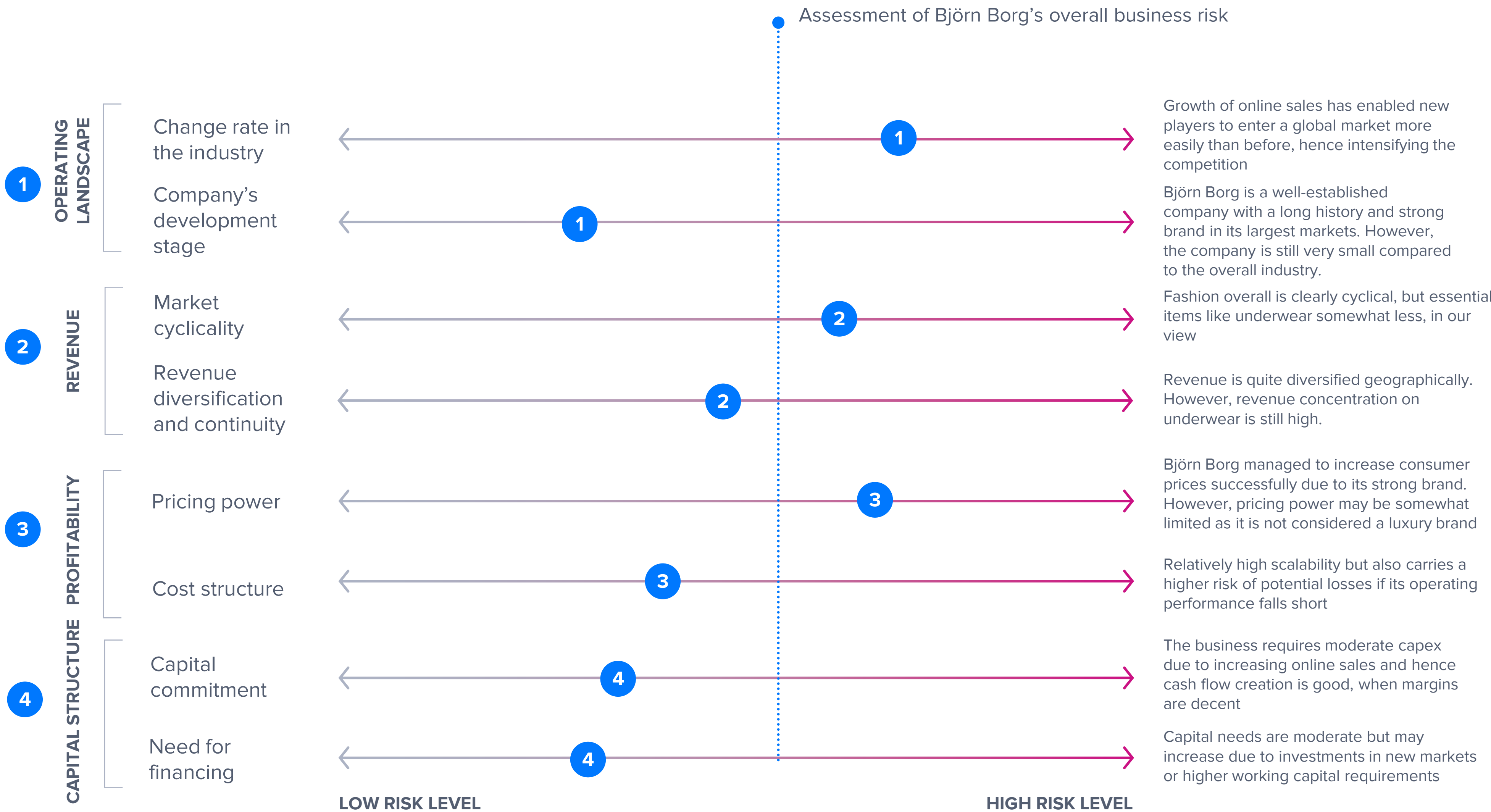
The largest shareholders (12/2023)	Total shares	% of total shares
Nordnet pension	3,068,793	12.2%
Martin Bjäringer	2,500,000	9.9%
Mats Nilsson	1,638,440	6.5%
Schottenius family	1,406,400	5.6%
Thomas Eklund	1,379,952	5.5%
Lazard Frères Banque	1,315,000	5.2%
Avanza pension	1,262,197	5.0%
Per Josefsson	1,000,000	4.0%
Fredrik Lövstedt	950,040	3.8%
Carl Rosvall	465,000	1.8%
Total, largest owners	**14,985,822**	**59.6%**

Breakdown of ownership



Source: Inderes, Björn Borg

Risk profile of the business model



Source: Inderes

Investment profile 1/2

Investment profile

In our view, investing in Björn Borg exposes the investor to a profitable growth company with a strong brand. It has shown strong long-term growth throughout its history, which we expect it will continue to deliver going forward. Additionally, due to its track record of good profitability and a solid balance sheet, Björn Borg has consistently paid high dividends, providing investors with recurring cash flow. However, structural changes of the company as well as the extensive competitive landscape and increased price competition have put pressure on margins over the past 10-15 years. Nevertheless, we see a positive profitability trend as the company has successfully increased its share of online sales.

Key positive value drivers and opportunities

Björn Borg's primary positive driver is continued revenue growth. We believe this growth can be achieved across all product categories, with sports apparel being the main driver. The underwear category is quite mature and should be seen as a stable revenue source, in our view. Among different markets, we expect Germany to be a key growth area, driven by increased marketing activities and intensified collaboration with the large e-tailer Zalando, which will boost brand visibility and consumer reach.

In addition to revenue growth, we anticipate improving margin levels in the coming years to support earnings growth. This improvement is expected to be driven by an increasing share of sales through online channels, both through the company's e-commerce platform and e-tailers, as well as enhanced operational efficiency.

In the longer term, there are opportunities for geographical expansion in currently smaller markets, such as the US. The company has already introduced its brand on Amazon.com. If Björn Borg can successfully increase its brand visibility in the US, it could drive significant growth in this market. However, current visibility is low as US revenue figures are grouped with smaller markets like Switzerland, France, Slovenia, and Canada. Additionally, the US market is highly competitive, dominated by established players such as Adidas, Nike, and Lululemon.

Björn Borg is strongly committed to reducing its climate impact and contributing to more sustainable fashion. This commitment could provide a competitive edge if consumers increasingly prioritize sustainability in their purchasing decisions. However, with more fashion companies emphasizing sustainability, this may become a necessity to remain competitive.

Key negative value drivers and risks

The Björn Borg brand is crucial to the company's position and success. While strong brand dependence can offer advantages such as pricing power, it also carries risks like trend sensitivity, where the brand may fall out of fashion. Furthermore, the fashion industry heavily relies on consumer preferences regarding design, quality, and price, and positioning relative to competitors is critical. Rapid changes in fashion trends can lead to declines in sales for certain collections.

In the short term, distributors' high inventory levels, due to consumers cutting spending in response to steep inflation and interest rates, present a risk. Although inventory levels have decreased from their peak, they remain high relative to current sales levels, leading to fewer purchases from distributors. However, we believe this will not significantly impact Björn Borg's results, as inventory levels are beginning to normalize, and the distributor segment constitutes a small part of Björn Borg's revenue (5% in 2023).

Another short-term risk involves the restructuring of Björn Borg's license partner for the footwear product category, Serve & Volley. This presents a clear risk that sales and delivery opportunities may be negatively impacted, with Björn Borg estimating a potential negative impact of up to 5 MSEK on 2024 EBIT. However, Björn Borg plans to fully integrate the footwear product category, taking on the design, development, and distribution of these products in all markets. Although the integration may pose challenges in maintaining current revenue and margins in the short term, we expect it will provide future growth opportunities by allowing increased control over quality, innovation, and design, and creating synergies with other product categories in distribution. However, if the integration is unsuccessful, it could result in declining revenue and higher capital commitments.

Investment profile 2/2

1. Strong brand with solid growth potential
2. Improving margin levels through increasing online sales share
3. Historically a good dividend payer
4. High return on capital and above the required return, i.e. the company creates value
5. Intense competition in the industry

Potential

- Opportunities for geographical expansion in currently smaller markets, especially Germany
- Good growth prospects across all product categories, with sports apparel being the main driver
- Improving margin levels driven by increasing online sales through the company's e-commerce platform and e-tailers
- Integrating footwear business can boost future growth by enhancing quality control, fostering innovation and design

Risks

- Strong brand dependence carries risks like trend sensitivity, where the brand may fall out of fashion
- The fashion industry is fiercely competed, and some collections might not appeal to customers
- Risks generated by integrating the footwear category or expansion investments
- Consumers’ low purchasing power is a risk to short-term results

Industry and competitive landscape 1/4

The global sports apparel market

Björn Borg operates in the global sport apparel market, which is a sub-segment of the larger apparel industry, sized approximately 213 BNUSD in 2023. The industry includes clothing and accessories designed for physical activities, and t is specifically crafted to enhance performance and provide comfort to athletes and fitness enthusiasts. It encompasses a wide range of products such as jerseys, shorts, t-shirts, leggings, shoes, underwear, etc.

Consumer confidence and purchasing power drives growth

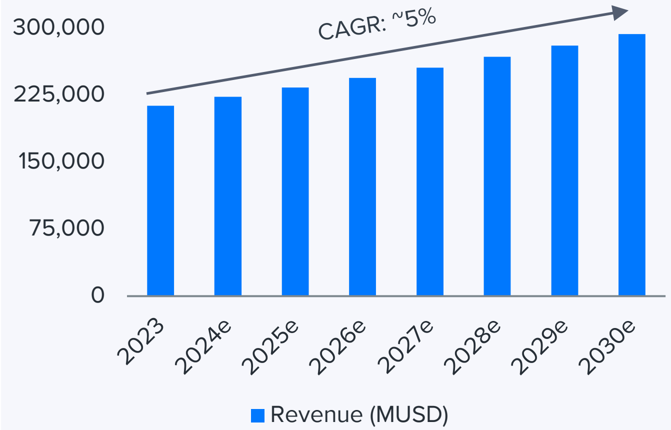
The global sports apparel market has averaged 5% annual growth over the past five years. While the industry has shown consistent growth, the rate can vary in the short term based on consumer spending, consumer sentiment, and the broader economic environment. Consumer spending patterns have a direct impact on the sale of both general and sport apparel, when consumer have more disposable income and are willing to spend, they are more likely to invest in clothing, including sportswear. Since apparel, especially sportswear, is often considered a discretionary purchase, consumers are likely to cut back on non-essential spending during economic downturn, and vice versa.

The sports apparel market is estimated to average 5% annual growth from 2023 to 2030 (source: Statista). The growth is expected to be driven by a combination of factors such as change in consumer preferences and rise in the trend of athleisure wear. One of the key growth drivers in the sports apparel market is increased focus on health and fitness, where consumers are actively seeking comfortable and performance enhancing clothing that allows them to engage in various fitness activities. Furthermore, e-commerce has emerged as a significant avenue for growth, allowing brands to reach a wider customer base and provide a convenient shopping experience for the consumer. Profitability challenges in the market is mainly related to intense price competition within the industry, where companies balance price, quality and sustainability. Various factors such as pandemics, natural disasters, or trade tensions can disrupt the companies' supply chains, impacting profitability levels. Also, rapid changes in fashion trends can lead to higher mark-downs.

Competitive landscape is extensive

In the sports apparel industry, the barriers to entry are relatively low, primarily because production is often outsourced eliminating the need for heavy capital expenditure in manufacturing facilities. Additionally, the rise of online retail has reduced the necessity for extensive store networks and the establishment of strong wholesale relationships. Thus, the market for sports apparel is highly competitive, with a large number of well-established brands as well as newer competitors competing for a portion of the market. There are a number of significant variables that are driving competitiveness in this industry, including brand reputation, innovation, and marketing methods. Based on global market size and revenues, we believe that Nike is the largest player in the market with a market share of about 24%, followed by Adidas of 11%. Other major players in the market include Lululemon, Puma and Under Amour, holding around 3-5% market share each, (source: Statista and Inderes own assessment).

Global sports apparel market



Key global competitors

Source: Inderes, Björn Borg, Statista

Industry and competitive landscape 2/4

Global players in the sports apparel market

Björn Borg faces a competitive landscape filled with several established and well-known brands in the sports apparel sector. There are also numerous apparel companies that do not primarily focus on sportswear, which we do not consider primary competitors to Björn Borg.

Nike, the market leader in sports apparel, is one of Björn Borg's key competitors. Nike operates around 1,000 retail stores worldwide. In 2023, North America was its main market, accounting for approximately 44% of total revenue, followed by EMEA (28%). Footwear is the largest product category for Nike, comprising around 68% of total revenue in 2023, followed by apparel (28%) and equipment, which constitutes a minor share of total revenue. The largest sales channel is wholesale (56% of total revenue in 2023), with direct-to-consumer channels, including retail stores and digital platforms, making up the remaining 44%.

The well-known brand **Adidas** is one of Björn Borg's main competitors, especially in Europe, and operates over 1,800 own retail stores worldwide. The largest product category by far is footwear, accounting for around 57% of total revenue in 2023, followed by apparel (36%) and accessories (7%). Looking at the channel split, it is overall relatively in line with Björn Borg's figures as of total revenue, where wholesale constitutes the largest sales channel for Adidas of almost 60% in 2023.

Puma is also considered a competitor due to its significant revenue in EMEA (~40% in 2023). Footwear is the largest product category, making up 53% of total revenue in 2023, followed by apparel (32%) and accessories (15%). Puma's sales channel mix relies heavily on wholesale, which accounts for 75% of total revenue in 2023, with the remaining 25% coming from direct-to-consumer channels.

Other competitors include e.g., **Under Armour** and **Lululemon**. However, as North America is the largest market for both companies, constituting 67% and 79% of total revenue in 2023, respectively, we do not view these players as strong competitors to Björn Borg relative to those with a larger share of sales in Björn Borg's main market, Europe.

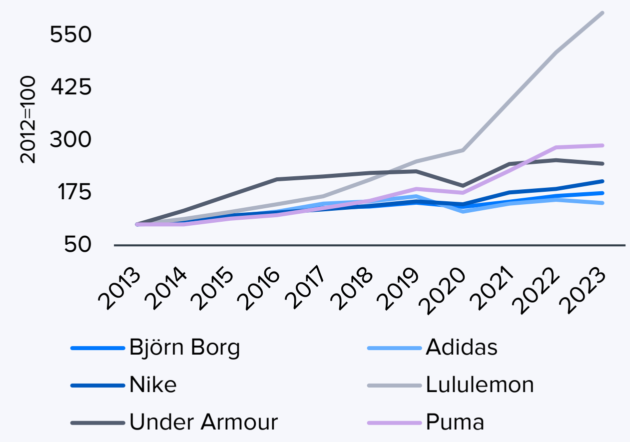
Björn Borg's historical growth rate somewhat lower than peers

Over the past decade, Björn Borg's revenue growth has lagged behind its key competitors. Björn Borg has achieved an average annual growth rate of around 6%, while the peer group has averaged approximately 10% during the same period. In our view, this lower growth rate for Björn Borg can be attributed to its still high revenue generation from the mature underwear category, which has experienced relatively flat growth over the last five years. However, in the sportswear segment, Björn Borg has outpaced its peers, achieving an average annual growth rate of approximately 13% over the past ten years, although from significantly lower levels.

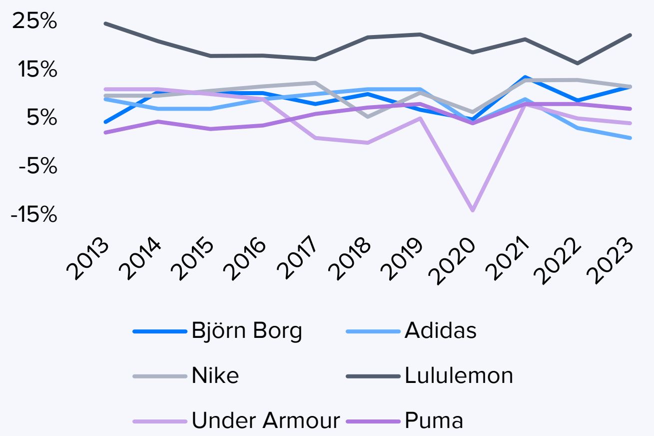
Profitability relatively in line with peers over the years

Björn Borg's profitability has been similar to its peers over the past decade, with an average EBIT margin of 8.9% compared to the peer group's 9.6%. Lululemon, with a 20% EBIT margin, excels due to its premium positioning and control over inventory by minimizing reliance on third-party retailers. Excluding Lululemon, Björn Borg's margins have been slightly higher than its peers over the last decade.

Indexed revenue development



EBIT-% development



Source: Inderes, Björn Borg, group companies

Industry and competitive landscape 3/4

	BJÖRN BORG	adidas	Nike	Lululemon	UNDER ARMOUR	PUMA	PVH
Company description	Björn Borg is a Swedish brand that is represented in around twenty markets in mainly Europe, with Sweden and the Netherlands being the largest.	Adidas is a German sportswear brand that operates globally. The company is one of the market leaders in Europe but also operates globally.	Nike is a market leader in the sports apparel industry with a dominant presence in multiple markets, especially in its home market, the US.	Lululemon is a Canadian athletic apparel company known for its high-quality yoga and workout clothing. Lululemon operates in 25 countries worldwide, with the largest market being Americas.	Under Armour is an American sportswear and athletic gear company. Under Armour has a significant presence in the global sports market, mainly in North America.	Puma is a German sportswear brand with a strong presence in both the sports and lifestyle markets. Puma holds a strong market position in both EMEA and North America.	Calvin Klein, owned by PVH, is Björn Borg's main competitor in the underwear market. The Calvin Klein brand accounts for ~40% of PVH's total revenue, with a strong market presence primarily in Europe
Primary market	Europe	Europe, Global	Europe	Asia, Global	Europe	North America	Europe, Global
Sales channel mix, Wholesale / DTC / Other (2023)	66% / 30% / 6%	59% / 41%	56% / 44%	9% / 91%	59% / 38% / 2%	75% / 25%	52% / 48%
Revenue (CAGR 2013-2023)	6%	4%	7%	20%	9%	11%	4%
Gross margin (average 2013-2023)	53%	49%	45%	54%	47%	47%	54%
EBIT-% (average 2013-2023)	9%	7%	10%	20%	5%	6%	7%

Source: Inderes, Björn Borg, group companies

Industry and competitive landscape 4/4

The European sportswear market

Almost all of Björn Borg's revenue are attributed to the European market, particularly Northern Europe, with a market size of approximately 83 BNUSD in 2023. Over the last five years, the market has grown at a modest average annual rate of about 2% due to fluctuations. However, market growth is expected to accelerate in the coming years, reaching a value of around 96 BNUSD in 2027, corresponding to an average annual growth of about 4%.

Similar to the global market, the European market is highly fragmented, with intense competition. Björn Borg is a small player, holding only a fraction of the market, while large players include well-known brands such as Nike and Adidas.

Despite the dominance of global players like Nike and Adidas, Björn Borg's brand awareness has increased over the years. The company measures its brand heat through an external party by asking consumers in key markets which brand they would choose from a list of well-known brands. In the first quarter of 2024, Swedish consumers ranked Björn Borg's brand as number two, ahead of Adidas but behind the world leader Nike. We believe that this reflects the company's growing and strong position as a sports brand in its home market of Sweden.

Strong position in underwear in key markets

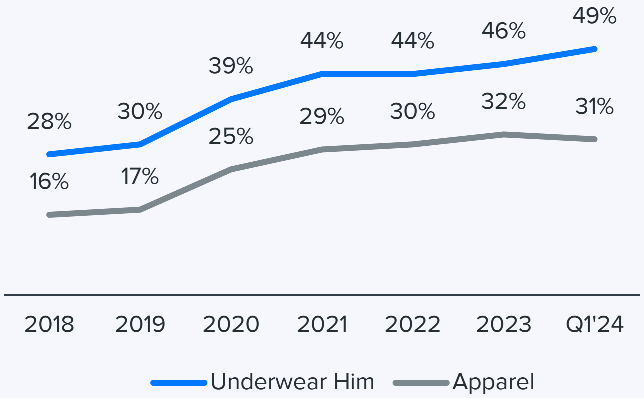
Underwear is Björn Borg's largest product category, encompassing a wide range of men's, women's, and children's underwear across various segments. According to Statista, the global underwear market is expected to grow at a modest average annual rate of ~3% from 2024 to 2028. This growth is driven by factors such as an increasing population, evolving fashion trends, and a shift towards sustainable and eco-friendly products. Like the sportswear market, the underwear market is highly fragmented and fiercely competitive. However, in the men's underwear segment, Björn Borg is a leading brand in the Nordics. For instance, in 2023, Björn Borg ranked number one in brand preference in Sweden and the Netherlands, surpassing global brands such as Calvin Klein.

Consumer confidence is starting to rebound

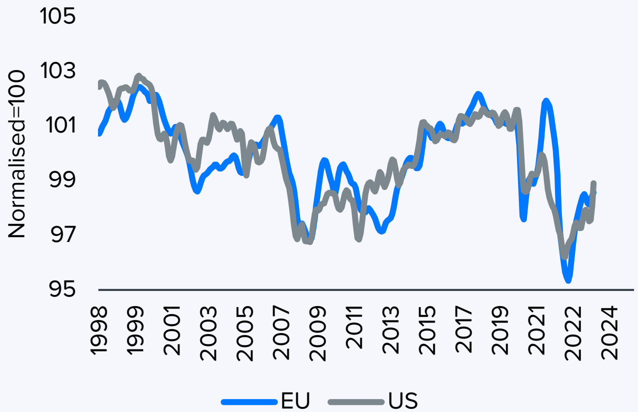
Consumer confidence indicates future trends in household consumption and savings, based on expectations regarding personal financial situations, sentiments about the general economic environment, unemployment, and savings capability. An indicator above 100 signals increased consumer confidence in the future economic situation, making them less inclined to save and more likely to make significant purchases within the next 12 months. Conversely, values below 100 suggest a pessimistic outlook on the economy, likely resulting in increased savings and reduced consumption.

During the COVID-19 crisis, e-commerce boomed, and Björn Borg's customers were purchasing in large volumes. However, in 2022, the sharp rise in inflation and interest rates significantly affected consumers' purchasing power, leading to fewer purchases and high inventory levels. Despite these challenges, Björn Borg managed to achieve organic FX-adjusted growth of approximately 5% in 2022 and 1% in 2023. This resilience suggests that the company was not significantly impacted by the declining economic climate, indicating some resistance to economic cycles. Currently, we believe that consumer confidence is beginning to recover, which should support the sports apparel industry, all else equal.

Purchase intent [1]



Consumer confidence



1 Markets include SE, NO, FI, DK, NL, BE, DE.
Source: Björn Borg, FED

Historical performance 1/2

High margins but limited control during the early days

Björn Borg's revenue grew at an average annual rate of 6% between 2013 and 2023, driven mainly by organic growth. In the early 2010s, Björn Borg's core focus was on underwear, while other product categories such as apparel, footwear, bags, fragrances, and eyewear were licensed out to specialists. This strategy resulted in high EBIT margins of around 20%. However, relying heavily on external partners can lead to a lack of control and lower brand loyalty, as licensing partners or distributors often manage multiple product lines and may not consistently prioritize Björn Borg's products and brand. This was, in our view, a key reason why revenue performance was poor during those years.

A new plan was established to transform the brand into a sports fashion company

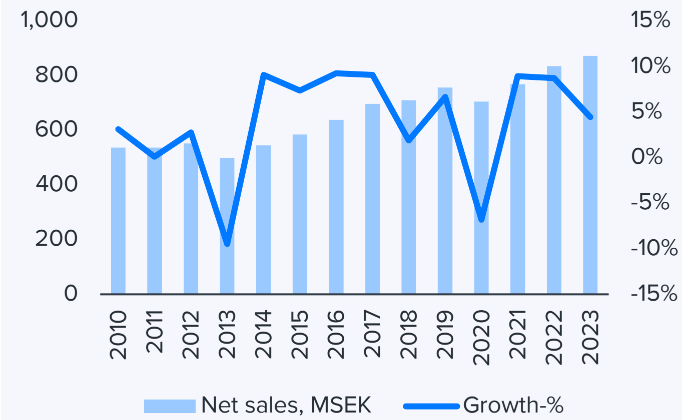
In 2014, Henrik Bunge joined as CEO and introduced a new business strategy called Northern Star, aiming to transform the brand from being synonymous with men's underwear to being a leading name in sports fashion. The first major step was taken at the end of 2014 when Björn Borg acquired the remaining shares in Björn Borg Sport, the Dutch company responsible for designing and producing the brand's sports apparel. In 2016, the company further increased control over its operations by acquiring its Benelux distributor, bringing distribution in key markets in-house.

Under the Northern Star plan, the company set ambitious goals: reaching 1 BNSEK in revenue by 2019 with an operating margin of 15%. However, these targets were not met, which we attribute to several challenges, including the shift towards more online sales, price pressure from increased price transparency due to digitization, and heightened international competition. Despite not achieving its financial targets, we believe the company made significant progress between 2014 and 2019 in becoming a broader sports brand, enhancing the recognition of Björn Borg as a sports apparel brand while maintaining its strong position in the underwear market.

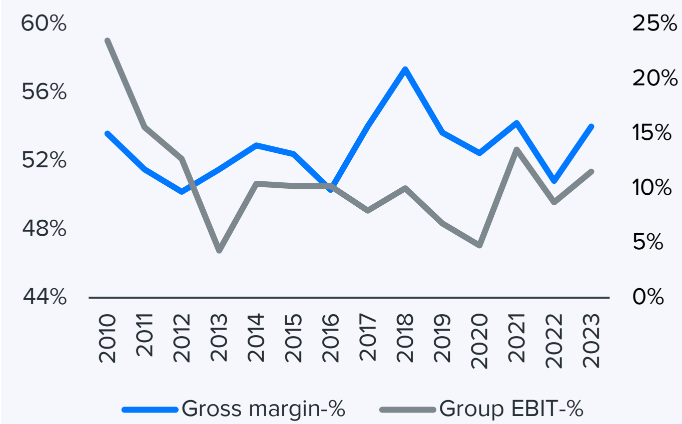
Operations have developed relatively well despite the impact of COVID-19

The COVID-19 pandemic severely impacted the general apparel market, with store closures, supply chain disruptions, and changing consumer behaviors negatively affecting Björn Borg's operations. However, the company's successful efforts to increase its share of online sales from 26% in 2019 to 41% in 2023, coupled with the closure of unprofitable physical stores, helped it perform relatively well in recent years. Björn Borg's revenue grew at an average of approximately 4% per year between 2019 and 2023, with an average adjusted EBIT margin of 10%, despite the challenges posed by the pandemic.

Historical revenue development

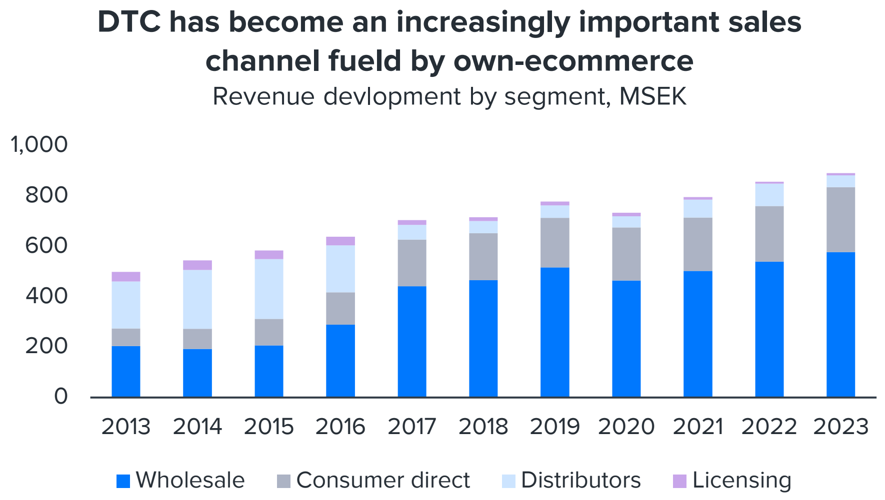


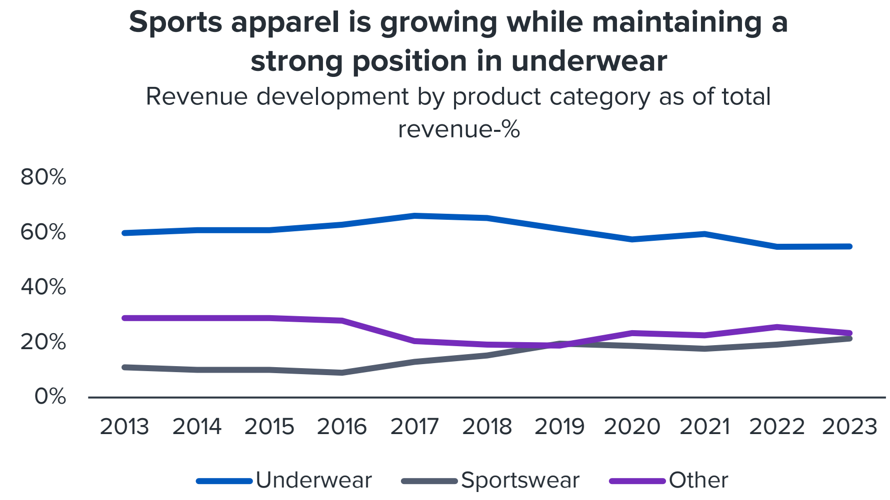
Historical profitability development

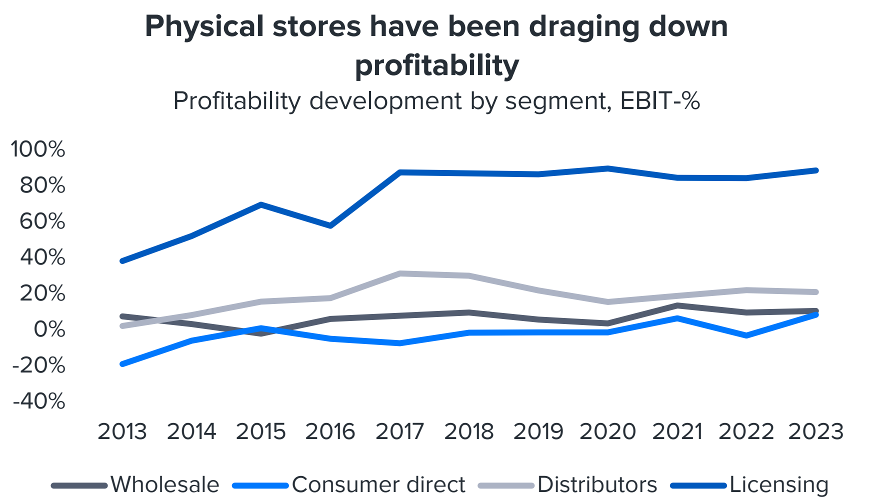


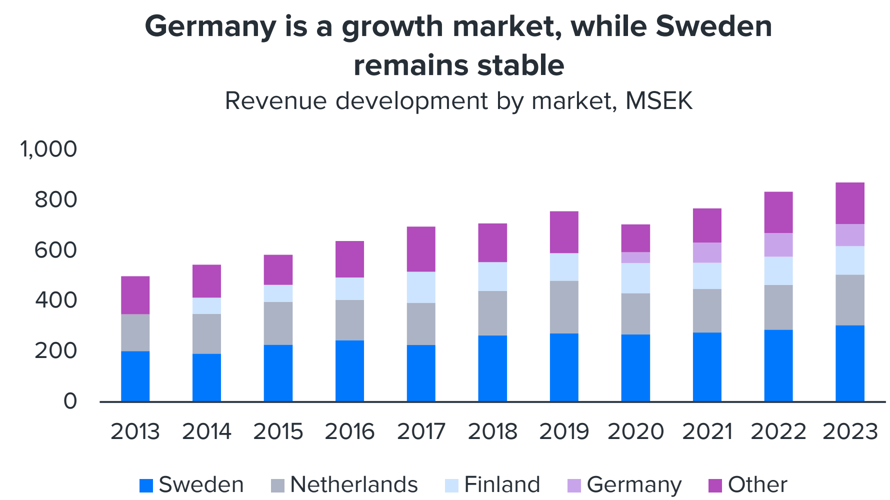
Source: Inderes, Björn Borg

Historical performance 2/2









Finland and Germany is included in "Other" until 2013 and 2019, respectively.
Source: Inderes, Björn Borg

Financial position

Non-current assets dominated by trademarks

Björn Borg's non-current assets are primarily intangibles, largely associated with the Björn Borg brand, which comprises approximately 27% of the balance sheet. Acquired in 2006 for 124 MSEK, the brand, including additional purchase consideration, is valued at around 188 MSEK on the balance sheet, a value that has remained unchanged since the acquisition. It is important to note that a decline in the company's profitability could potentially lead to the risk of write-downs. However, given the company's strong track record of profitability and returns exceeding its cost of capital, this risk minimal in our view. The remaining non-current assets consist mainly of fixed assets, with a significant portion being IFRS 16 right-of-use assets, accounting for about 6% of the balance sheet. The share of right-of-use assets has historically been higher but has decreased as the company has closed several physical stores.

Increased net working capital due to footwear business integration

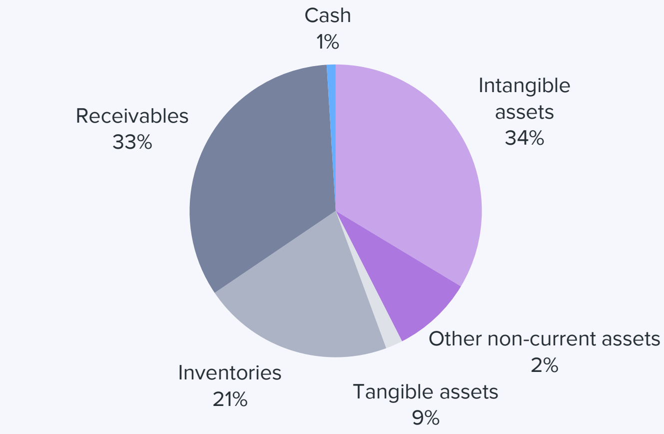
Historically, inventories have constituted a large share of the balance sheet, ranging from 20-30%. However, in Q1'24, receivables increased substantially, making up about 30% of the balance sheet, due to the integration of the footwear business. Accounts payable accounted for only 6% of the balance sheet in Q1'24. However, this is likely due to seasonality, as receivables and payables were more balanced at the end of last year. Nevertheless, this resulted in a total net working capital position for Björn Borg of approximately 35% of the balance sheet, or about 25-30% of rolling 12-month revenue. This is higher than the average of around 18% of revenue over the past five years. Nonetheless, we view this increased capital commitment as a short-term issue, given that the company has indicated that orders already placed are ready for delivery to customers. Therefore, we do not place significant emphasis on this increase.

Björn Borg has historically had a strong balance sheet

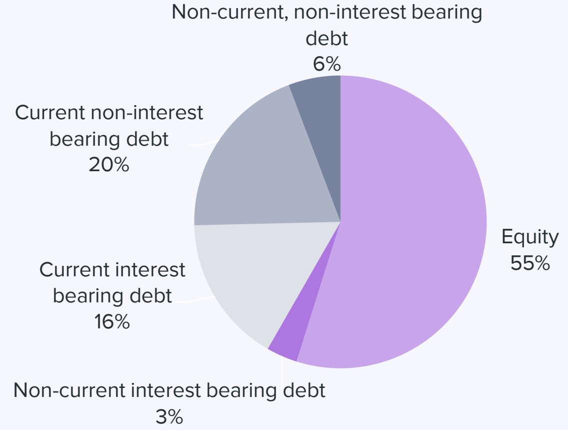
Björn Borg has consistently generated good free cash flow, averaging around 10-15% of revenue, allowing the company to provide attractive dividends to investors. In recent years, IFRS 16 liabilities have comprised nearly 10% of the balance sheet, while actual interest-bearing debt has decreased from about 16% in 2020 to 0% in 2023. However, in Q1'24, the cash position amounted to only 1% of the balance sheet due to high capital commitments, resulting in weak cash flow. Consequently, Björn Borg increased its use of bank facilities, with actual interest-bearing debt, excluding lease liabilities, amounting to 14% of the balance sheet. Despite this, Björn Borg still has approximately 55 MSEK in available bank facilities, and the net debt/EBITDA ratio, excluding lease liabilities, at the end of Q1'24 is a healthy 0.7x, well below the 3.0x commitment for its overdraft facility.

In the bigger picture, we consider the composition of both sides of Björn Borg's balance sheet as solid and there should be no major risks related to the balance sheet. Given the company's strong track record of generating high free cash flow and the expectation that it will reduce its short-term capital commitments from high Q1'24 levels, we foresee good opportunities for continued dividend distribution to shareholders.

Balance sheet assets Q1'24



Balance sheet equity & liabilities Q1'24



Source: Inderes, Björn Borg

Strategy and financial targets 1/2

Björn Borg's strategic objectives

Increase share of online business

- Continue to invest resources in its own e-commerce, which will be one of the most prioritized sales channels going forward.
- Björn Borg will also continue to have a high focus on e-tailers, such as Zalando, and virtual marketplaces.

Grow business share in sports apparel

- Björn Borg aims to increase its market share and preference in sports apparel.
- To achieve broad impact cost-effectively, Björn Borg emphasizes forming a strong community through social media, campaigns, events, and in-store exposure.

Expand geographically

- To drive growth, Björn Borg focuses on expanding product categories and geographically, especially in Europe.

Inderes' comments on Björn Borg's strategic objectives

- E-commerce has become a significant growth avenue, allowing Björn Borg to reach a wider customer base and capture the latest consumer trends directly.
- We believe that online sales, both through its own e-commerce platform and e-tailers, will continue to be a crucial source of profitable growth, offering opportunities to increase margins as sales scale.
- According to our assessment, Björn Borg has managed to retain customers who previously shopped in physical stores. This trend is encouraging as e-commerce is less capital intensive (e.g., better cash flow) and indicates that the online sales channel can effectively expand the geographic reach of its product range.

- Since its strategic shift in 2014 towards increasing its focus on sports fashion, sports apparel has gone from making up around 10% of revenue in 2014 to 22% in 2023, growing at a CAGR of around 14% during the same period, creating a more diversified business.
- Due to its strong brand presence, especially in the Northern countries, we see good opportunities for the company to increase its sales in sports apparel.
- However, intense competition from established players with strong brand recognition poses challenges in expanding sports apparel across broader Europe and could potentially put pressure on margins.

- We believe that the primary growth area in products are sports apparel. Furthermore, we believe that the integration of the footwear category provides good growth opportunities in mature markets, allowing increased control over quality, innovation, and design. However, if the integration is unsuccessful, it could result in declining revenue and higher capital commitments.
- Geographically, we see good opportunities for the company in the German market, leveraging partnerships with major e-tailers like Zalando to reach a wide customer base. Additionally, the US market, although currently a small part of total revenue, presents substantial growth potential.

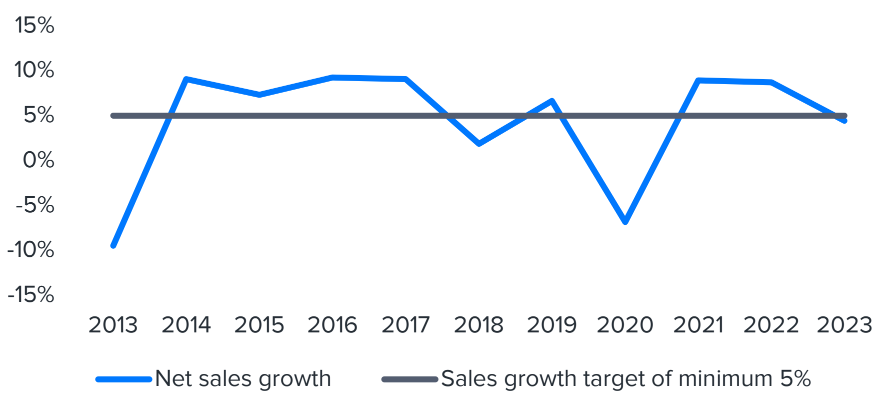
Source: Inderes, Björn Borg

Strategy and financial targets 2/2

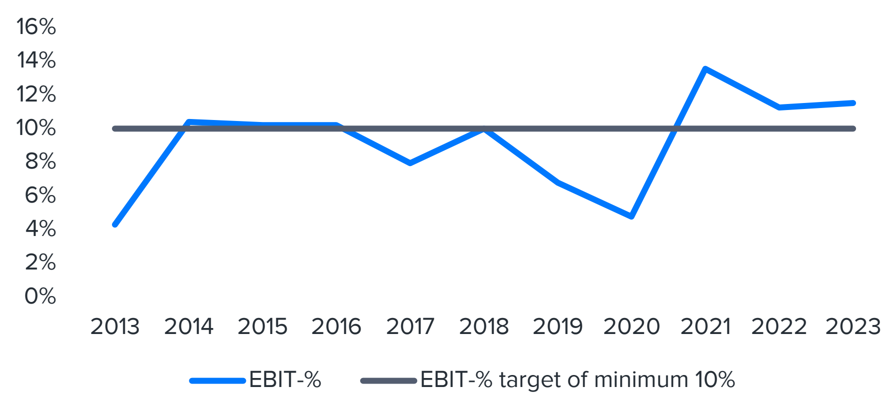
Financial objectives

Annual revenue growth of minimum 5%	Annual operating margin of minimum 10%	An annual dividend of at least 50% of net profit	The equity/assets ratio must not fall below 35%
• Over the past decade, Björn Borg's revenue have grown at an average annual rate of about 6%. • The target requires Björn Borg to grow in line with the general sports apparel market, which we consider a realistic average level. • Given its historical performance and good growth opportunities, especially in the German market, the company's revenue could potentially exceed the target in the short term.	• The company's historical EBIT margin has averaged 9% over the past decade. • However, in the last three years, Björn Borg's adjusted EBIT margin has been around 11-14%, driven partly by the closure of unprofitable stores and increased online sales. • Given this, we believe that the company should be able to maintain margins slightly above its financial goal moving forward.	• Björn Borg has historically been a generous dividend payer, with payout ratios often reaching 100% or even above. • This has been achievable due to its strong operational cash flow and low investment needs. • We view the target as realistic and believe that dividends will likely grow with earnings, potentially exceeding the target in the short term.	• Over the past five years, the average equity/assets ratio has consistently exceeded 35% for Björn Borg • Considering the company's strong operational cash flow generation and that its equity/asset ratio has consistently exceeded 35%, despite lease liabilities affecting the ratio, we view the equity/asset ratio target as realistic.

Revenue target



EBIT-% and profitability target



Source: Inderes, Björn Borg

Estimates 1/6

Estimates starts with the segments

We model Björn Borg through its five segments: Wholesale, Own e-commerce, Own stores, Distributors and Licensing. We estimate organic growth and through that EBIT. Naturally, we also consider non-recurring items if they are known in advance. In addition, we estimate the gross margin and fixed costs at Group level.

Wholesale segment

As detailed in the business model section, wholesale is the company's largest segment, contributing 66% of total revenue in 2023. The segment has grown at a relatively modest rate of approximately 4% CAGR over the past five years, largely due to a sharp decline of 10% during the COVID-19 pandemic year. However, since bottoming out in 2020, it has achieved annual growth rates of around 7-8%.

In Q1'24, revenue growth in the wholesale segment saw a slowdown and amounted to about 4%. This slowdown was mainly attributed to the Nordic countries, where the company's takeover of footwear distribution caused a delay between quarters. Excluding footwear, Björn Borg's wholesale business demonstrated strong growth of around 10% during the quarter. Throughout the rest of the current year, we estimate that continued strong demand from e-tailers, such as Zalando, will be the main revenue growth driver in the segment.

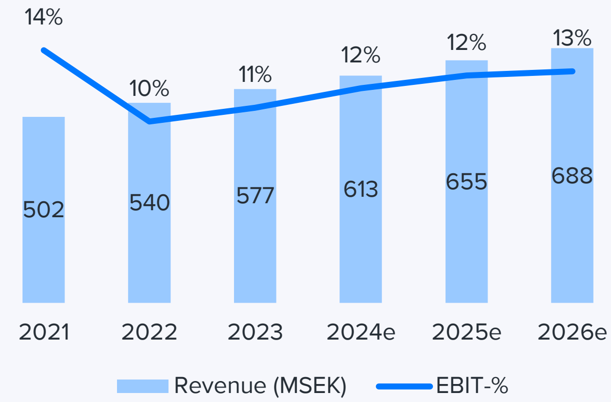
For 2025-2026, we project an average annual growth rate of about 5-6% in the wholesale segment, aligning with the company's overall revenue target. Geographically, we expect Germany to drive segment growth, supported by targeted market activities and intensified collaborations with Zalando, while growth in the Nordic countries is anticipated to be relatively modest. By product area, sports apparel is expected to play a key role in both mature and smaller markets, while the mature underwear category is likely to show relatively flat development.

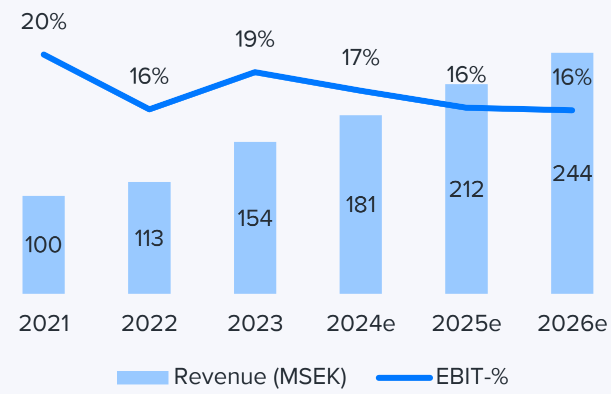
Margins in the wholesale segment are expected to remain stable

Over the past three years, the EBIT margin in the segment has improved, hovering around 10-14%, which we believe is partly due to the company's focus on increasing sales through e-tailers and virtual marketplaces, as well as successful price increases. We expect this trend to continue, supporting margins. However, we estimate that the EBIT margin will stabilize at around 12% by 2025, considering the potential impact of intensified market competition, which could pressure pricing power over time. Additionally, sports apparel, which has a somewhat lower gross margin than underwear, is expected to exert slight downward pressure on overall margins as it becomes a larger portion of the company's wholesale revenue.

Own e-commerce segment

The own e-commerce segment was included in consumer direct until 2020, so visibility into historical figures is somewhat limited. However, since 2021, the segment has demonstrated a strong average annual growth rate of approximately 24%. This growth has been driven by the company's successful adaptation to the emerging trend towards online channels, retaining customers who previously shopped in physical stores.





Source: Inderes

Estimates 2/6

In terms of sales, own e-commerce is the company's second-largest segment. In our view, it is also an important segment as it allows the company to effectively expand the geographic reach of its product range. Over the past few years, successful investments in the platform, effective marketing efforts, and increasing sales of sports apparel and footwear have been major growth drivers of — a trend we expect to continue. As the company takes over the entire distribution for the footwear category, it will consolidate all footwear sales, resulting in higher sales growth. However, the net effect on earnings is likely to be marginal due to costs also increasing.

We estimate revenue growth in the own e-commerce segment to be around 18% in 2024, despite tough comparable figures from 2023, mainly due to the footwear integration. In 2025-2026, we expect own e-commerce to continue growing strongly at an average annual growth rate of approximately 16% partly driven by a channel shift, although growth figures are expected to normalize over the longer term. In relative terms, we expect own e-commerce to remain the fastest-growing segment. However, in absolute terms, the wholesale segment is still projected to contribute the most to revenue growth due to its larger size.

We expect margins to normalize from high levels

Over the past few years, the own e-commerce segment has exhibited very high EBIT margins, averaging around 18%, due to increased sales and reduced discounts, such as the removal of certain sales periods. However, growth does not come without cost, as seen in the first quarter of 2024, where the EBIT margin in the segment was 14%. This was, however, partly due to increased logistics costs associated with returned products from the previous quarter. While we still anticipate the segment to achieve high profitability, we estimate that EBIT margins will normalize to around 15-16% by 2026, primarily due to increased marketing costs and intensified price competition.

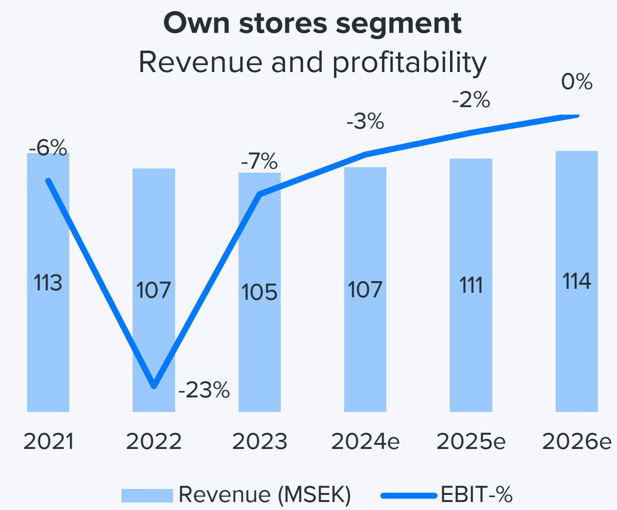
Own stores segment

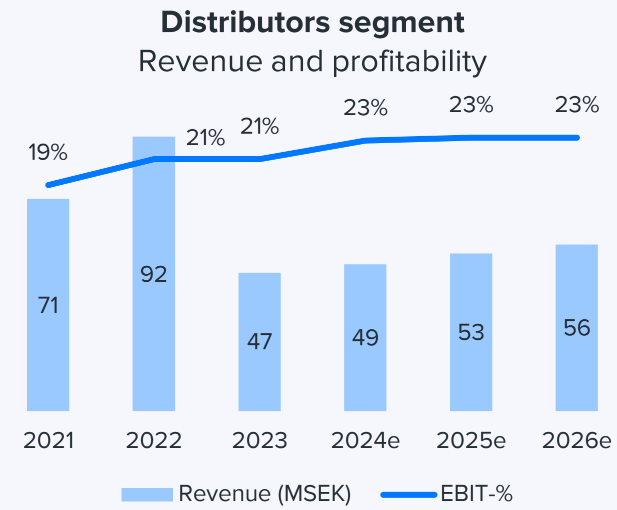
Björn Borg owns and operates a total of 16 stores and factory outlets in Sweden, the Netherlands, Finland, and Belgium. The company has closed around half of its stores over the past five years due to changing consumer behaviors, market dynamics, and the impact of COVID-19, which has impacted growth negatively. For comparable stores, i.e. stores that were also open in the corresponding period last year, the sales growth amounted to 15% in 2023, mainly driven by increased sales in the Netherlands and Finland. However, it is important to note that early 2022 was still impacted by COVID-19, which somewhat softens the comparison.

While we believe that physical outlets will continue to be an important source of clearing excess inventories, we expect the company to continue to close unprofitable stores, which will affect revenue growth negatively but contribute positively to overall profitability. In 2024-2026, we expect relatively modest growth rates in the segment of around 2-3%, while the operating profit is expected increase and turn to black numbers mainly driven by reduced operating costs as a result of fewer stores.

Distributors segment

In the last decade, Björn Borg has focused on increasing its control over its operations and bringing distribution in-house, resulting in a low focus on external distributors.





Source: Inderes

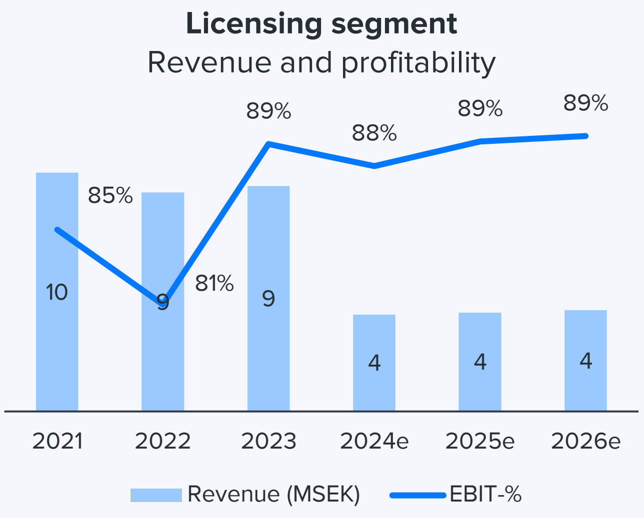
Estimates 3/6

In 2023 and the beginning of the current year, the distributor segment's sales were negatively impacted by high inventory levels due to consumers cutting spending in response to steep inflation and rising interest rates. Although inventory levels have decreased from their peak, they remain high relative to current sales levels, leading to fewer purchases from distributors. However, we expect the segment to show some growth of around 6% for the current year, driven by more normalized inventory levels, especially in H2'24, as well as easier comparable figures. In 2025, we anticipate the growth rate in the distributor segment to increase somewhat due to falling interest rates and inflation, resulting in higher consumer spending. In 2026, we estimate the segment will exhibit more normalized annual growth of around 5%, in line with the company's overall target.

Regarding profitability, we believe the distributor segment should generate high EBIT margins as distributors handle marketing, investments, and inventory in their respective markets. Therefore, we estimate that the EBIT margin will normalize at around 23% by 2026, which is relatively in line with its historical average.

Licensing segment

The licensing segment constitutes a very small part of the group's operations. Following the company's decision to integrate the footwear category, its contribution has become even smaller. In 2024, we expect segment sales to fall sharply, exclusively due to the integration of the footwear category. In 2025-2026, we estimate that growth in the licensing segment will be relatively flat, as historical growth was primarily driven by the footwear category, according to our assessment. However, we believe that margins will remain high, in line with historical figures, with an EBIT margin of around 90%. Despite this high margin, the licensing segment's contribution to the group is modest, accounting for around 1-2% of group EBIT.



Source: Inderes

Estimates 4/6

We estimate continued growth at group level

Our revenue estimate for the full year 2024 is 955 MSEK, marking a solid 7% growth. This growth is primarily driven by the footwear integration, increased demand for sportswear, growth in own e-commerce, and increased sales in the German market. However, overall consumer demand remains relatively sluggish, restraining revenue growth. Additionally, Björn Borg's sales growth in recent years has been significantly boosted by the weakening of the SEK. We expect this effect to continue, though with a smaller impact, although we do not forecast FX rates.

We anticipate a slight improvement in the gross margin, from 54.0% in 2023 to 54.6% in 2024. This improvement should be supported by continued reductions in discounts to retailers and an increased share of own e-commerce sales. However, short-term supply chain disruptions due to the company's takeover of the footwear category are expected to exert some pressure on margins this year. On the fixed costs side, Björn Borg has implemented several measures over the past few years, such as securing cheaper premises and closing poorly performing stores. These actions have improved the opex/sales ratio from over 50% at its peak in 2020 to just below 45% in 2023, and we expect it to improve somewhat in 2024. Consequently, we forecast the EBIT margin to improve to ~12% in 2024, with absolute EBIT growing by approximately 111 MSEK or 10%

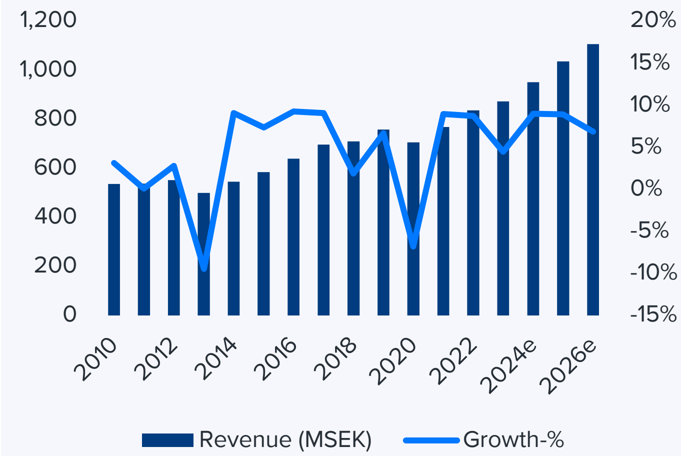
While assuming a similar tax rate to 2023 (~22%), we estimate increased financial costs due to the higher debt in Q1'24 to cover working capital needs for the footwear distribution takeover. Thus, at the EPS level, this translates to a modest increase from around SEK 3.0 per share in 2023 to SEK 3.2 per share in 2024, or 4% growth.

Growth expected to pick up more in 2025-2026

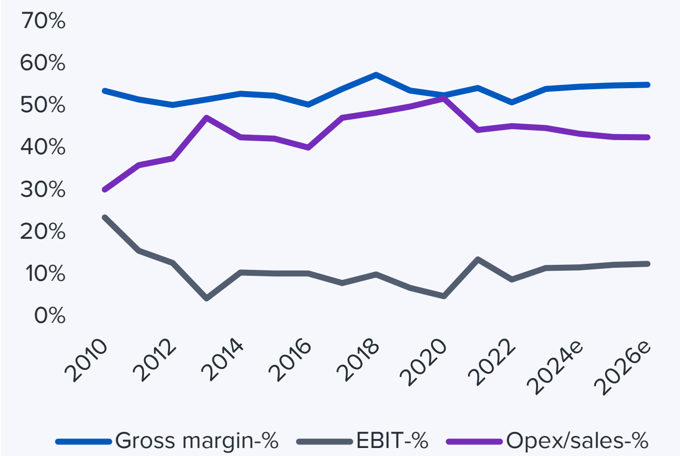
We expect continued good sales in 2025 and 2026 as the general economic situation improves and demand for sportswear remains strong, while underwear is expected to show moderate growth. The growth of the footwear category is expected to be higher than the group average, given the successful integration of the distribution. However, as it will still constitute a small portion of total sales, its impact on overall group figures will be relatively limited. Geographically, we estimate that growth will be driven more by markets outside the Nordic region, such as Germany and the US. Overall, we expect growth of 8% in 2025 and 7% in 2026.

We anticipate the EBIT margin to increase slightly in 2025 and 2026 to around 12-12.5%, with a gross margin of approximately 55% and an opex/sales ratio of ~43%. While there is some operational leverage from sales growth, continued expansion, particularly in Björn Borg's own e-commerce and in the German market, it's likely to require additional costs also going forward. We expect a decrease in financial costs, especially in 2025, as the company is likely to repay some debt given its strong operational cash flow. With relatively constant tax rates, this results in an EPS of around SEK 3.8 per share in 2025 and SEK 4.3 per share in 2026.

Group revenue forecasts



Group profitability forecasts



Source: Inderes

Estimates 5/6

Long-term estimates

From 2027 onwards, we estimate Björn Borg's sales growth to be around 5% p.a., aligning with the company's overall growth target. This growth is expected to be driven by continued expansion outside the Nordic countries, such as Germany and the US, where we believe Björn Borg has good potential. The terminal growth rate is set at 2.5%.

Regarding profitability, we expect the EBIT margin to stabilize at 12% in the long term. Assuming financials and tax rates remain fairly constant, this will drive earnings to grow relatively in line with sales, i.e., around 5% p.a.

Growth ties up some capital, limiting cash flow

As we forecast continued growth for Björn Borg, we also anticipate that growth will require some capital. In 2023, Björn Borg released some working capital. However, we expect the company to tie up some working capital in 2024, mainly due to the takeover of footwear distribution. From 2025 onwards, we expect working capital to increase in line with sales, resulting in a negative cash flow impact. Additionally, we foresee that investments (excluding lease amortization) will exceed depreciation as the company continues to grow. This means that the company's cash flow will be lower than its earnings. We forecast a free cash flow level of 75-100 MSEK for 2024-2026, corresponding to a free cash flow yield of 5-7%.

Dividends likely to grow with earnings

Björn Borg has historically been a generous dividend payer, with payout ratios often reaching 100% or above. This has been achievable due to strong operational cash flow and low investment needs.

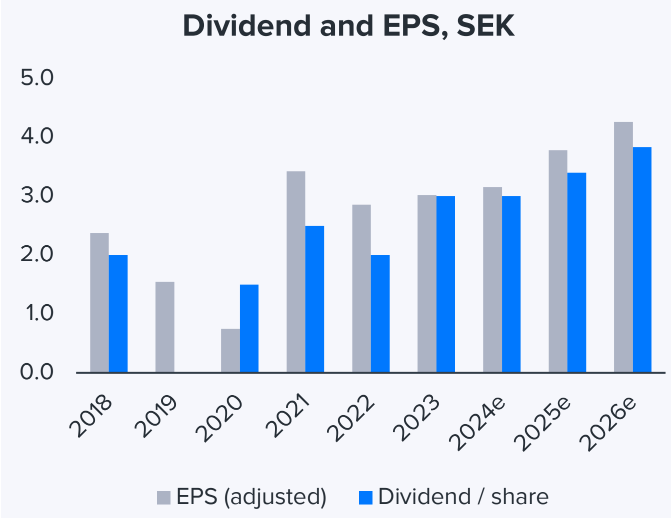
However, in 2019, the company paid no dividends due to the uncertainty created by the COVID-19 pandemic. The dividend for 2023 was SEK 3.0 per share, an increase of 50% year-over-year, growing with earnings.

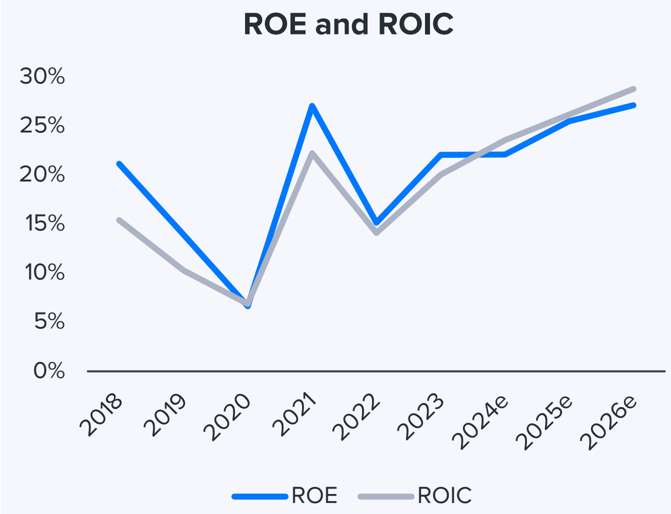
In 2024, we expect the absolute dividend to remain flat, reflecting stable earnings growth. However, we anticipate that the company will use a portion of its free cash flow to repay the short-term debt incurred this year. During 2025-2026, we expect the absolute dividend to increase as earnings grow. Our payout assumptions expect that almost the entire free cash flow will be distributed, but as we expect Björn Borg to hold a net cash position, excluding lease liabilities, from 2025 onwards, it could potentially pay out even more.

High return on capital indicates that the company is generating value

Björn Borg's business model has historically tied up capital mostly in working capital, given that it operates in leased premises. Due to IFRS 16, leases are now also reflected as capital in the balance sheet. However, as the company has closed several unprofitable stores over the years and shifted more towards online sales channels, rights-of-use assets constitute a relatively small part of the total balance sheet, about 6% in Q1'24.

In 2024, we expect ROIC to increase to around 24% and ROE to reach 22%. In 2025-2026, we expect ROIC to be in the range of 26-28%, while ROE is projected to be around 26%. This indicates that the company is clearly generating value as it grows, with a return on capital exceeding the required return by a wide margin.





Source: Inderes

Estimates 6/6

Group reporting, MSEK	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Revenue	**499**	**544**	**584**	**639**	**696**	**710**	**757**	**705**	**768**	**835**	**872**	**955**	**1035**	**1106**
Revenue growth-%	-9.0%	9.1%	7.3%	9.3%	9.1%	1.9%	6.7%	-6.8%	8.9%	8.7%	4.4%	**7.1%**	**8.4%**	**6.9%**
Revenue growth-% (currency neutral)	-8.0%	6.0%	-1.0%	9.3%	9.6%	-1.6%	3.7%	-5.8%	11.5%	4.7%	0.7%	7.1%	8.4%	6.9%
COGS	-242	-256	-278	-317	-320	-303	-351	-335	-352	-411	-401	-432	-467	-498
Gross profit	**257**	**288**	**306**	**321**	**384**	**414**	**428**	**399**	**444**	**450**	**491**	**523**	**568**	**608**
Adj. Gross margin	51.5%	52.9%	52.4%	50.3%	54.0%	57.4%	53.7%	52.5%	54.2%	50.8%	54.0%	54.6%	54.9%	55.0%
Gross margin-% (currency neutral)	50.4%	53.2%	52.4%	50.7%	53.4%	57.0%	56.0%	51.9%	52.9%	55.5%	54.6%	54.6%	54.9%	55.0%
OPEX	-236	-231	-247	-256	-329	-343	-377	-365	-340	-377	-390	-412	-441	-470
EBIT	**21**	**57**	**60**	**65**	**55**	**71**	**51**	**34**	**104**	**94**	**101**	**111**	**127**	**138**
Adj. EBIT margin-%	4.3%	10.4%	10.2%	10.2%	7.9%	10.0%	6.8%	4.8%	13.5%	11.2%	11.5%	11.6%	12.3%	12.5%
EBIT growth-%	-69.2%	163.8%	5.3%	9.3%	-15.0%	28.2%	-27.7%	-34.4%	208.9%	-9.8%	7.1%	10.0%	14.9%	8.9%
Segment breakdown, MSEK	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Wholesale	**204**	**193**	**207**	**290**	**441**	**466**	**516**	**464**	**502**	**540**	**577**	**613**	**655**	**688**
Growth-%		-5.7%	7.5%	39.8%	52.4%	5.7%	10.7%	-10.0%	8.2%	7.5%	7.0%	6.2%	6.8%	5.0%
EBIT margin-%	7.6%	3.3%	-2.0%	6.1%	7.8%	9.8%	5.7%	3.6%	13.6%	9.8%	10.5%	11.6%	12.3%	12.5%
Own e-commerce									**100**	**113**	**154**	**181**	**212**	**244**
Growth-%										14.0%	35.8%	17.6%	17.3%	15.0%
EBIT margin-%									20.2%	15.6%	18.7%	17.2%	15.7%	15.5%
Own stores									**113**	**107**	**105**	**107**	**111**	**114**
Growth-%										-5.9%	-1.7%	2.2%	3.6%	3.0%
EBIT margin-%									-5.6%	-22.8%	-6.7%	-3.3%	-1.5%	0.0%
Direct-to-consumer	**69**	**81**	**105**	**128**	**186**	**186**	**197**	**211**	**213**	**220**	**259**	**288**	**323**	**359**
Growth-%		16.2%	29.7%	22.0%	45.8%	-0.1%	6.1%	7.1%	0.8%	3.4%	17.6%	11.4%	12.2%	10.9%
EBIT margin-%	-18.9%	-5.9%	1.0%	-4.9%	-7.4%	-1.5%	-1.4%	-1.3%	6.5%	-3.0%	8.4%	9.5%	9.8%	10.6%
Distributors	**187**	**234**	**238**	**188**	**58**	**49**	**50**	**45**	**71**	**92**	**47**	**49**	**53**	**56**
Growth-%		24.9%	1.8%	-21.1%	-69.0%	-15.8%	2.4%	-11.2%	59.9%	29.2%	-49.6%	6.1%	7.4%	5.7%
EBIT margin-%	2.2%	8.4%	15.7%	17.8%	31.3%	30.1%	22.1%	15.6%	19.0%	21.2%	21.2%	22.7%	23.0%	23.0%
Licensing	**38**	**37**	**35**	**34**	**19**	**15**	**15**	**14**	**10**	**9**	**9**	**4**	**4**	**4**
Growth-%		-2.3%	-7.3%	-3.2%	-44.8%	-17.1%	0.4%	-9.7%	-30.7%	-8.4%	2.9%	-56.9%	1.8%	2.5%
EBIT margin-%	38.3%	52.2%	69.6%	58.0%	87.7%	87.1%	86.6%	89.7%	84.6%	81.1%	88.6%	87.6%	88.8%	89.0%
Geographical breakdown, MSEK	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Sweden	202	192	227	245	227	265	272	268	276	287	305	325	352	376
The Netherlands	146	158	171	160	167	176	210	164	173	179	201	213	228	243
Finland		65	66	88	123	115	110	119	104	112	113	111	114	111
Germany								44	81	93	87	105	124	144
Other	151	130	120	145	179	154	166	110	135	165	166	200	217	232
Product breakdown, -% as of sales	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Underwear	60.0 %	61.0 %	61.0 %	63.0 %	66.3 %	65.4 %	61.5 %	57.6 %	59.7 %	54.9 %	55.1 %	53.9 %	52.0 %	50.0 %
Sportswear	11.0 %	10.0 %	10.0 %	9.0 %	12.9 %	15.3 %	19.6 %	18.8 %	17.7 %	19.3 %	21.5 %	25.5 %	29.0 %	31.0 %
Other	29.0 %	29.0 %	29.0 %	28.0 %	20.6 %	19.3 %	18.9 %	23.4 %	22.6 %	25.7 %	23.4 %	20.7 %	19.0 %	19.0 %

[1] Included in “Direct-to-consumer” segment until 2020
[2] Finland is included in “Other” markets until 2013 and Germany until 2019
Source: Inderes

Valuation and recommendation 1/4

Basis for valuation

Björn Borg's stable performance and consistent cash flow enable the use of various valuation methods, including the DCF model, absolute earnings-based valuation, and peer valuation. When assessing the expected return, we consider earnings growth over the coming years, the dividend level, and potential changes in valuation multiples. One factor to consider in the valuation is the company's lease liabilities, which slightly distort the balance sheet and EV-based figures. However, since lease liabilities represent a relatively small portion of the balance sheet, we believe the impact is minimal.

Valuation summary - Accumulate

We consider Björn Borg an interesting investment opportunity given the company's capacity for good value creation. As we see medium-term earnings growth of good ~10% and a dividend yield of some 6%, this offers a return above our required return. We, therefore, consider the risk/reward ratio quite good, and initiate coverage of Björn Borg with an Accumulate recommendation and a target price of SEK 63.0 per share.

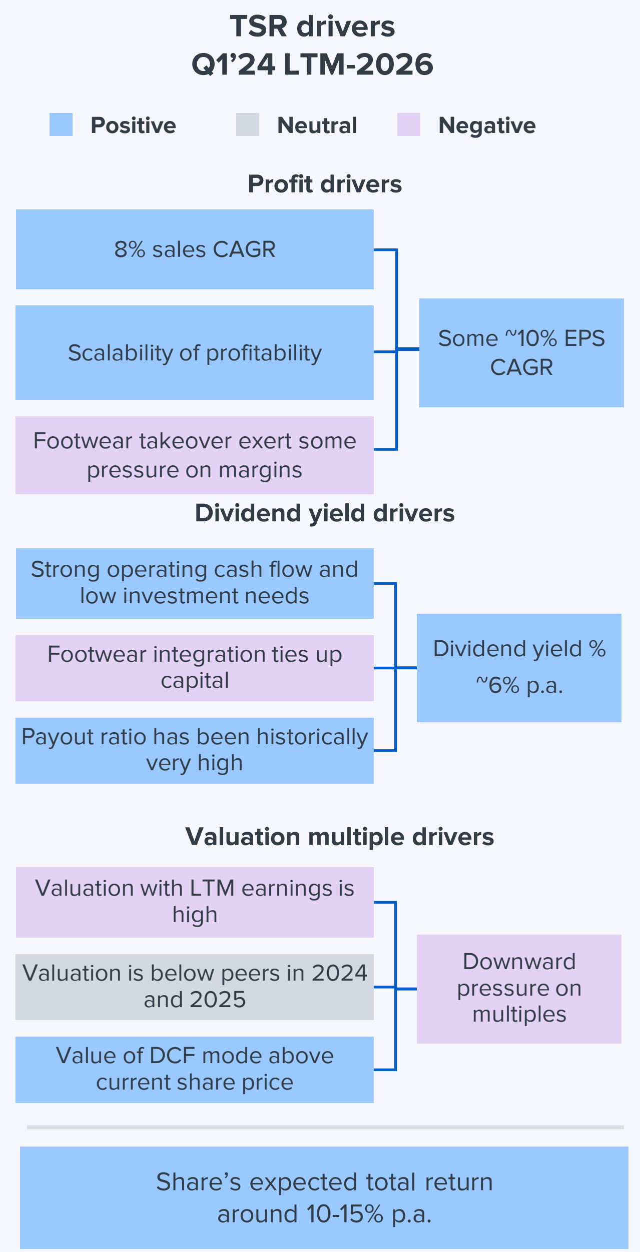
Based on acceptable valuation multiples and the cash flow model, we believe that the fair value of the stock is in the range of SEK 52-68 per share. If the company surpasses our estimates and the general economic situation and consumer purchasing power improve faster than expected, an upside in the valuation within our defined valuation range could materialize. Conversely, if profitability or performance disappoints (e.g., unsuccessful integration of the footwear category or heavier investments in marketing needed to drive growth, which puts pressure on margins), a dip in valuation is possible.

Share's expected total return

In our view, Björn Borg has established itself as a stable dividend payer, due to its strong operational cash flow and limited investment needs. In the longer term, we expect absolute dividends to increase as earnings grow, and our assumptions indicate that nearly the entire free cash flow will be distributed. Thus, we believe dividends will play a crucial role in the stock's expected return over the next few years. With our estimates and the current SEK 57.3 share price, the dividend yield is projected to be around 6% over the next few years.

We forecast mid-term earnings growth at approximately 10% on average, slightly higher than sales growth, which is around 8% on average, primarily driven by improved operational profitability. However, as outlined in the estimate section, we expect long-term earnings growth to moderate, aligning more closely with sales growth at around 5% p.a.

Björn Borg's earnings multiples for this year are relatively high, with a P/E ratio of around 18x and EV/EBIT ~13x. Even after adjusting for lease liabilities, the earnings multiples remain roughly the same due to the small proportion of leases on the balance sheet. Therefore, regardless of the perspective, these numbers are quite high. It should be noted, however, that Björn Borg's earnings for 2024 are below their potential due to short-term challenges related to the footwear takeover. If the integration of the footwear category is successful and the projected earnings improvement materializes, the multiples for 2025 (P/E 15x and EV/EBIT 11x) will be below the company's 10-year medians (P/E: 17x and EV/EBIT: 14x).



Source: Inderes

Valuation and recommendation 2/4

However, the valuation multiples over the past decade were influenced by a zero-interest-rate environment, and acceptable valuation levels have since decreased due to rising interest rates. On the other hand, Björn Borg's business has also changed significantly as the share of online sales has increased, enhancing profitability, return on capital, and cash flow. Nonetheless, given the company's continued growth potential and high returns on capital, the 2025 earnings multiples appear attractive, contingent on the expected margin improvement being realized.

Looking beyond 2025, when we expect more stable growth and profitability, we believe Björn Borg's acceptable P/E ratio will be 14-20x and EV/EBIT will be 12-15x based on reported figures.

Overview of peer group

Björn Borg has several listed peers, as mentioned in the industry and competitive landscape section. These peers, included in the sports apparel category, are Adidas, Nike, Lululemon, Puma, Under Armour, and Columbia Sportswear. Although these companies are significantly larger than Björn Borg, they share similar business operations and financial characteristics such as growth, profitability, operational risk, return on capital and capital commitment.

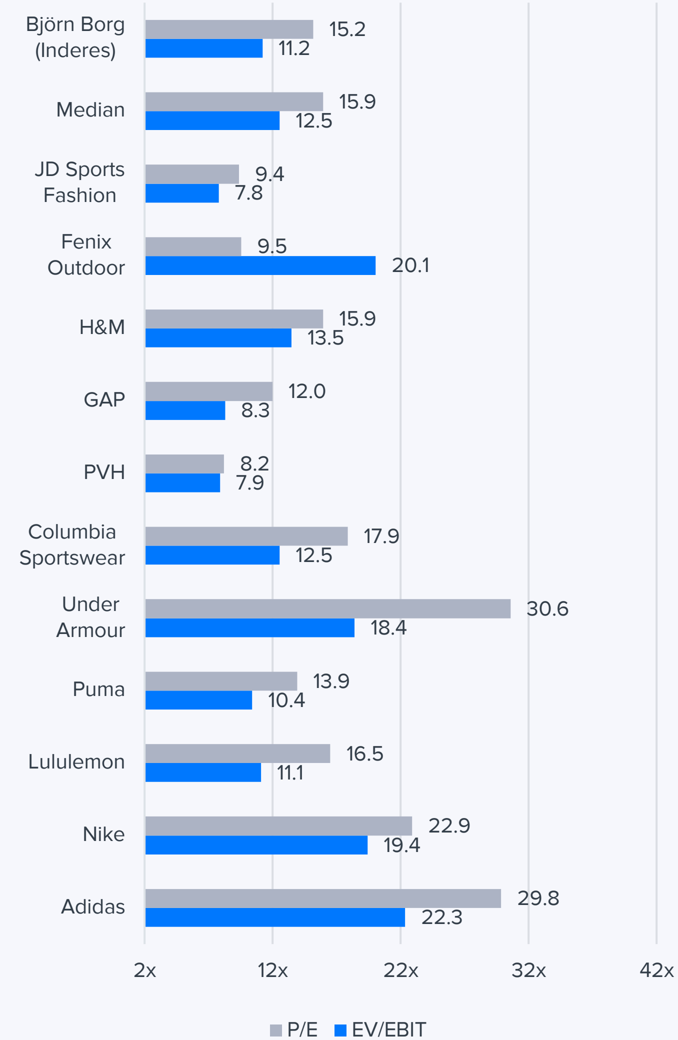
To further enhance the valuation perspective, we have also included several retail companies in the peer group. These include PVH, known for its strong brands such as Calvin Klein and Tommy Hilfiger, which is Björn Borg's closest competitor in the underwear business; the global retailer GAP; the Swedish international retailer H&M, with several well-known brands; the Swedish company Fenix Outdoor, with globally established brands within nature and outdoor activities; and JD Sports Fashion, a retailer of branded sports fashion and outdoor clothing. These retail companies have, in general, more sales through physical stores leading to lower margins and higher capital commitment. In addition, this also results in significant lease liabilities that muddle up EV-based valuation. Thus, we believe it is more relevant to look at the P/E ratios when comparing Björn Borg's valuation against retail companies. While we put more weight on the sports apparel peer group when valuing Björn Borg, due to the similar investor profile and comparable performance trends, we feel that the retail peer group provides some insight into the valuation.

Peer valuation

The comparison of various valuation metrics across different companies sheds light on Björn Borg's positioning within its peer group. When considering the median EV/EBIT ratios for 2024 and 2025, they hover around 14x and 13x respectively for the peer group. Correspondingly, the P/E ratios for the same years are approximately 18x and 16x. In contrast, Björn Borg's EV/EBIT and P/E multiples for 2024 and 2025 are, on average, 6% lower than those of its peers. However, when excluding the retail peers, the discount increases to around 15-16%.

Peer group valuation

EV/EBIT and P/E, 2025



Source: Inderes

Valuation and recommendation 3/4

Given that Björn Borg's sports apparel peers are significantly larger, more globally established brands with historically higher average growth, we find it reasonable to price Björn Borg below its peers. Additionally, despite Björn Borg's sports apparel business showing strong growth in recent years and contributing more to the company's total revenue, its continued heavy reliance on the underwear business results in higher operational risks. Nonetheless, we anticipate higher growth for Björn Borg in the coming years, although from lower levels, alongside higher profitability and returns on capital. Therefore, we argue that the current discount may be somewhat exaggerated.

It is important to note that the peer group's valuation multiples vary widely, from single digits to over 30x, making the peer group somewhat dependent on the specific companies included. Consequently, while peer valuation indicates some upside potential for Björn Borg, we do not place too much emphasis on it.

DCF valuation

We also use a DCF model in the valuation, which reflects Björn Borg's long-term ability to create value. We feel that the applicability of the DCF calculation in the company's valuation is reasonable, due to the sufficient historical financial information, steady growth and relatively predictable business. On the other hand, we believe that its applicability is somewhat weakened by the correlation between demand and economic cycles, which are difficult to predict, especially in the medium and long term.

We presented our long-term estimates already in the estimates section, expecting a steady growth of around 5%, in line with Björn Borg's growth target and with overall market growth. We expect the EBIT margin to remain steady at approximately 12%, driven by an increasing share of online sales. However, this margin is slightly hampered by rising competition and intensified pricing pressures. In the terminal period, we anticipate the EBIT margin to stay largely flat, with a terminal growth rate assumption of 2.5%.

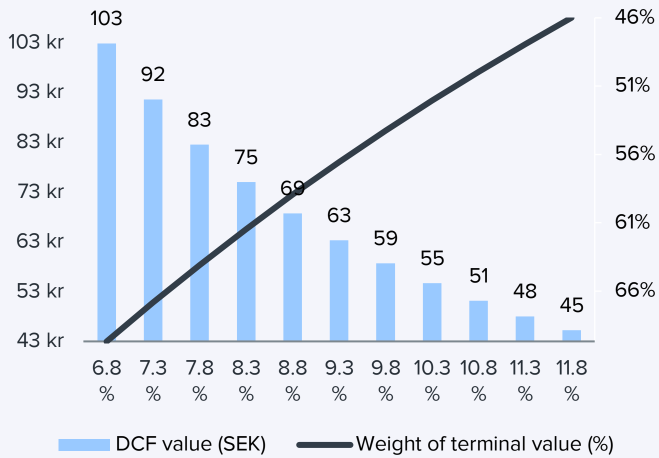
We estimate Björn Borg's cost of equity to be 9.7%, which we consider fair given its relatively stable history of generating profitable growth and high returns on capital. However, this rate also reflects the company's small size and limited global market presence. As we assume little debt in the WACC calculation (as the company generates good operational cash flow and typically carries little leverage excluding lease liabilities) the WACC is set to 9.3%.

With these assumptions, our DCF model arrives at an EV of ~1,660 MSEK, which translates into an equity value of around 1,600 MSEK or SEK 63.4 per share.

Valuation	2024e	2025e	2026e
Share price	57.3	57.3	57.3
Number of shares, millions	25.1	25.1	25.1
Market cap	1441	1441	1441
EV	1440	1424	1412
P/E (adj.)	18.2	15.2	13.4
P/E	18.2	15.2	13.4
P/FCF	19.2	15.0	14.1
P/B	4.0	3.8	3.6
P/S	1.5	1.4	1.3
EV/Sales	1.5	1.4	1.3
EV/EBITDA	10.0	9.0	8.6
EV/EBIT (adj.)	13.0	11.2	10.2
Payout ratio (%)	95.1 %	90.0 %	90.0 %
Dividend yield-%	5.2 %	5.9 %	6.7 %

Source: Inderes

Sensitivity of DCF to changes in the WACC-%



Source: Inderes

Valuation and recommendation 4/4

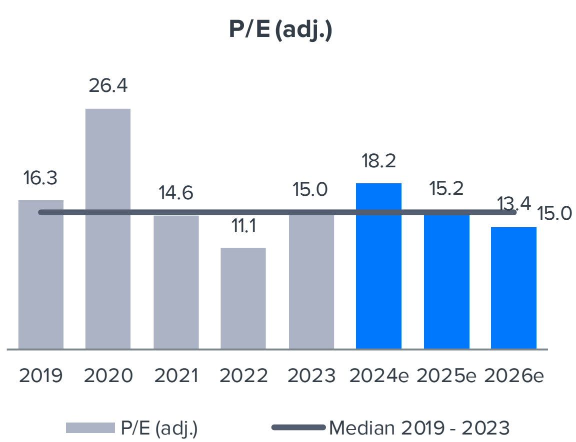
Peer group key figures	Sales growth	EBIT-%	ROIC	Sales growth			EBIT-%			ROIC-%		
Sports apparel	**Average (3y)**	**Average (3y)**	**Average (3y)**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**
Adidas	5%	4%	8%	6%	10%	9%	4%	8%	10%	10%	16%	25%
Nike	11%	14%	26%	1%	-5%	5%	13%	11%	12%	30%	28%	29%
Lululemon	30%	22%	36%	20%	12%	9%	23%	23%	23%		45%	43%
Puma	19%	7%	10%	3%	8%	7%	7%	8%	9%	16%	13%	7%
Under Armour	7%	5%	6%	-3%	-11%	2%	5%	3%	4%		5%	6%
Columbia Sportswear	12%	12%	16%	-3%	5%	4%	8%	9%	9%	13%	14%	14%
Retail												
PVH	10%	10%	9%	3%	-5%	3%	10%	10%	11%		9%	10%
GAP	3%	3%	6%	-6%	1%	2%	3%	6%	7%		15%	16%
H&M	8%	6%	7%	2%	3%	3%	9%	9%	9%	16%	18%	19%
Fenix Outdoor	13%	9%	9%	5%	4%	1%	12%	12%	10%	16%	18%	19%
JD Sports	19%	10%	7%	7%	5%	9%	9%	9%	10%		25%	26%
Average	**13%**	**9%**	**13%**	**3%**	**2%**	**5%**	**9%**	**10%**	**10%**	**17%**	**19%**	**19%**
Median	**11%**	**9%**	**9%**	**3%**	**4%**	**4%**	**9%**	**9%**	**10%**	**16%**	**16%**	**19%**
Björn Borg (Inderes)	**7%**	**11%**	**19%**	**9%**	**9%**	**7%**	**12%**	**12%**	**13%**	**24%**	**26%**	**29%**

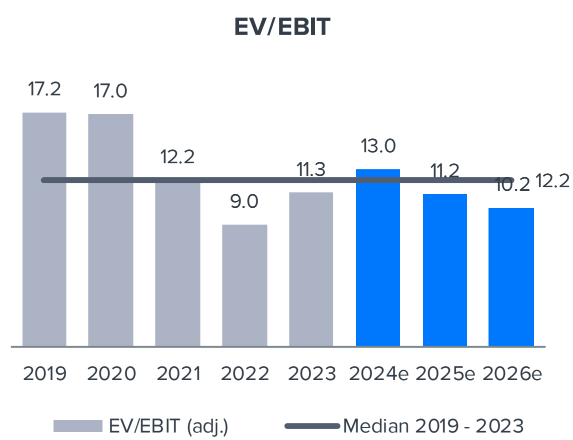
Source: Refinitiv / Inderes

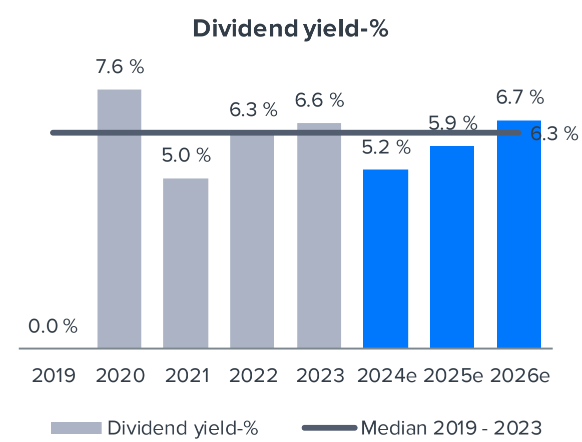
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	25.3	19.8	50.0	31.6	45.4	**57.3**	**57.3**	**57.3**	**57.3**
Number of shares, millions	25.1	25.1	25.1	25.1	25.1	**25.1**	**25.1**	**25.1**	**25.1**
Market cap	635	497	1257	795	1142	**1441**	**1441**	**1441**	**1441**
EV	883	574	1275	844	1138	**1440**	**1424**	**1412**	**1402**
P/E (adj.)	16.3	26.4	14.6	11.1	15.0	**18.2**	**15.2**	**13.4**	**12.9**
P/E	16.3	26.4	14.6	15.6	15.0	**18.2**	**15.2**	**13.4**	**12.9**
P/FCF	neg.	2.7	14.4	22.3	11.2	**19.2**	**15.0**	**14.1**	**13.4**
P/B	2.3	1.7	3.7	2.4	3.2	**4.0**	**3.8**	**3.6**	**3.4**
P/S	0.8	0.7	1.6	0.9	1.3	**1.5**	**1.4**	**1.3**	**1.2**
EV/Sales	1.1	0.8	1.6	1.0	1.3	**1.5**	**1.4**	**1.3**	**1.2**
EV/EBITDA	8.1	7.7	9.1	7.8	8.5	**10.0**	**9.0**	**8.6**	**8.3**
EV/EBIT (adj.)	17.2	17.0	12.2	9.0	11.3	**13.0**	**11.2**	**10.2**	**9.9**
Payout ratio (%)	0.0 %	200.3 %	73.1 %	98.9 %	99.3 %	**95.1 %**	**90.0 %**	**90.0 %**	**90.0 %**
Dividend yield-%	0.0 %	7.6 %	5.0 %	6.3 %	6.6 %	**5.2 %**	**5.9 %**	**6.7 %**	**7.0 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Sports apparel													
Adidas	38,826	42,684	38.3	22.3	18.43	13.68	1.86	1.69	63.67	29.84	0.7	1.4	7.5
Nike	97,539	95,105	15.9	19.4	14.32	16.86	2.02	2.13	19.10	22.88	2.0	2.1	7.8
Lululemon	26,573	24,840	12.4	11.1	10.66	9.44	2.84	2.55	18.73	16.50			7.6
Puma	6,304	8,139	12.3	10.4	7.85	7.04	0.91	0.84	17.70	13.92	2.0	2.6	2.3
Under Armour	2,496	2,329	8.2	18.4	5.68	9.40	0.45	0.50	11.88	30.59			1.3
Columbia Sportswear	4,171	3,523	14.3	12.5	10.46	9.15	1.15	1.09	20.27	17.87	1.5	1.6	2.3
Retail													
PVH	4,704	6,327	7.6	7.9	5.68	5.90	0.76	0.80	8.82	8.18	0.2	0.2	1.1
GAP	7,191	6,971	15.4	8.3	7.42	5.33	0.52	0.51	17.99	11.99	2.8	2.9	3.3
H&M	22,057	26,648	15.0	13.5	7.38	6.75	1.28	1.25	18.09	15.93	4.5	4.9	5.3
Fenix Outdoor	1,889	1,995	21.5	20.1	13.08	12.52	2.50	2.41	10.31	9.53	3.5	3.8	1.5
JD Sports Fashion	7,228	9,405	8.2	7.8	4.86	4.59	0.77	0.73	10.20	9.37	0.7	0.8	2.3
Björn Borg (Inderes)	**127**	**127**	**13.0**	**11.2**	**10.0**	**9.0**	**1.5**	**1.4**	**18.2**	**15.2**	**5.2**	**5.9**	**4.0**
Average			**15.3**	**13.8**	**9.6**	**9.2**	**1.4**	**1.3**	**19.7**	**17.0**	**2.0**	**2.2**	**3.8**
Median			**14.3**	**12.5**	**7.9**	**9.2**	**1.2**	**1.1**	**18.0**	**15.9**	**2.0**	**2.1**	**2.3**
Diff-% to median			***-9%***	***-11%***	***28%***	***-2%***	***31%***	***26%***	***1%***	***-5%***	***159%***	***184%***	***74%***

Income statement

Income statement	2021	2022	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**796**	**861**	**892**	**261**	**179**	**296**	**220**	**955**	**1035**	**1106**	**1163**
Wholesale	502	540	577	190	93	207	123	613	655	688	719
Direct-to-consumer	213	220	259	62	69	76	82	288	323	359	382
Distributors	71	92	47	8	15	12	14	49	53	56	59
Licensing	10	9	9	1	1	1	1	4	4	4	4
EBITDA	**140**	**108**	**134**	**42**	**17**	**52**	**32**	**143**	**159**	**165**	**169**
Depreciation	-36	-35	-33	-8	-8	-8	-8	-33	-32	-27	-27
EBIT (excl. NRI)	**104**	**94**	**101**	**33**	**9**	**44**	**24**	**111**	**127**	**138**	**142**
EBIT	**104**	**73**	**101**	**33**	**9**	**44**	**24**	**111**	**127**	**138**	**142**
Wholesale	69	53	61	28	2	31	7	68	80	84	85
Direct-to-consumer	14	-7	22	2	4	8	13	27	32	38	40
Distributors	14	20	10	2	2	4	3	11	12	13	14
Licensing	8	7	8	1	1	1	0	3	4	4	4
Net financial items	3	-2	-3	-7	-2	-3	2	-9	-5	-3	-1
PTP	**107**	**70**	**98**	**27**	**7**	**41**	**26**	**102**	**122**	**135**	**141**
Taxes	-21	-20	-22	-6	-2	-9	-6	-22	-27	-28	-29
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Net earnings	**86**	**51**	**76**	**21**	**6**	**32**	**20**	**79**	**95**	**107**	**112**
EPS (adj.)	**3.42**	**2.86**	**3.02**	**0.84**	**0.23**	**1.27**	**0.81**	**3.16**	**3.78**	**4.26**	**4.45**
EPS (rep.)	**3.42**	**2.02**	**3.02**	**0.84**	**0.23**	**1.27**	**0.81**	**3.16**	**3.78**	**4.26**	**4.45**

Key figures	2021	2022	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	8.5 %	8.2 %	3.6 %	4.2 %	5.2 %	10.3 %	7.8 %	7.1 %	8.4 %	6.9 %	5.2 %
Adjusted EBIT growth-%		-9.8 %	7.1 %	6.6 %	12.6 %	7.5 %	19.1 %	10.0 %	14.9 %	8.9 %	2.9 %
EBITDA-%	17.5 %	12.5 %	15.0 %	16.0 %	9.7 %	17.6 %	14.7 %	15.0 %	15.4 %	14.9 %	14.5 %
Adjusted EBIT-%	13.1 %	10.9 %	11.3 %	12.8 %	5.1 %	14.9 %	10.9 %	11.6 %	12.3 %	12.5 %	12.2 %
Net earnings-%	10.8 %	5.9 %	8.5 %	8.1 %	3.2 %	10.8 %	9.3 %	8.3 %	9.2 %	9.7 %	9.6 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**313**	**304**	**297**	**290**	**289**
Goodwill	36.5	36.4	36.4	36.4	36.4
Intangible assets	195	194	192	191	189
Tangible assets	68.8	61.6	55.9	50.5	50.8
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	12.6	12.3	12.3	12.3	12.3
Current assets	**340**	**327**	**356**	**380**	**402**
Inventories	201	184	200	213	225
Other current assets	19.1	16.9	16.9	16.9	16.9
Receivables	104	99.4	110	119	127
Cash and equivalents	16.0	26.6	28.6	31.1	33.2
Balance sheet total	**653**	**632**	**652**	**670**	**691**

Source: Inderes

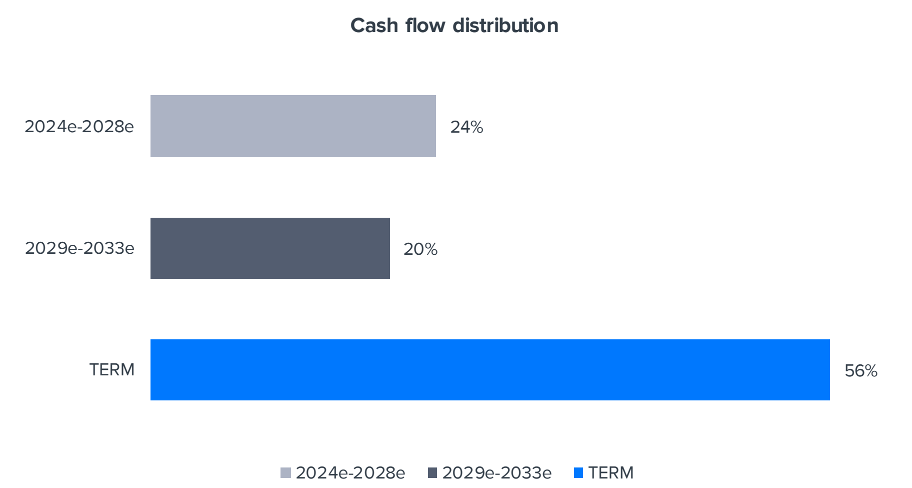
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**325**	**351**	**355**	**374**	**396**
Share capital	7.9	7.9	7.9	7.9	7.9
Retained earnings	149	175	179	199	221
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	175	174	174	174	174
Minorities	-6.6	-6.3	-6.3	-6.3	-6.3
Non-current liabilities	**72.3**	**65.2**	**60.6**	**62.7**	**55.7**
Deferred tax liabilities	39.9	39.7	39.7	39.7	39.7
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	32.4	25.5	20.9	23.0	16.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**256**	**216**	**237**	**233**	**239**
Interest bearing debt	49.3	17.4	31.4	15.3	10.7
Payables	106	136	143	155	166
Other current liabilities	101	62.4	62.4	62.4	62.4
Balance sheet total	**653**	**632**	**652**	**670**	**691**

DCF calculation

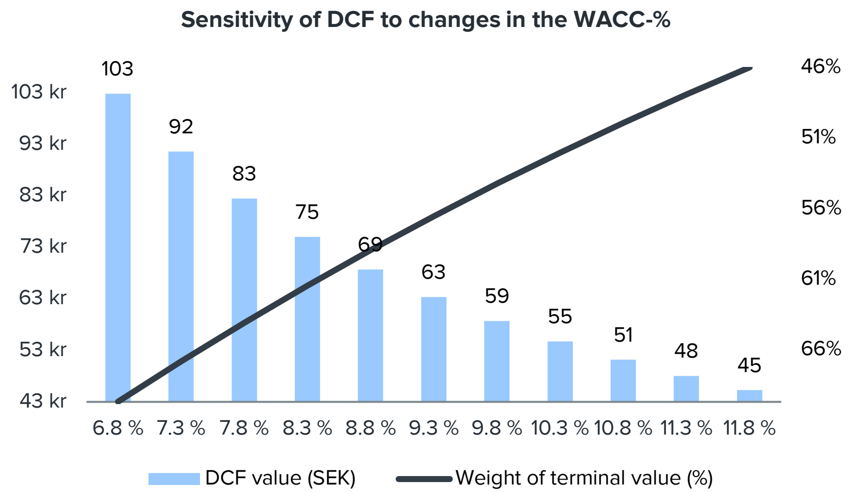
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	3.6 %	7.1 %	8.4 %	6.9 %	5.2 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.5 %	2.5 %
EBIT-%	11.3 %	11.6 %	12.3 %	12.5 %	12.2 %	12.0 %	12.0 %	12.0 %	12.0 %	12.0 %	12.0 %	12.0 %
EBIT (operating profit)	**101**	**111**	**127**	**138**	**142**	**147**	**154**	**162**	**170**	**178**	**183**	
+ Depreciation	33.0	32.8	32.0	26.5	26.6	26.7	26.7	26.7	26.7	26.7	26.7	
- Paid taxes	-21.6	-22.1	-26.8	-27.8	-29.1	-30.0	-31.5	-33.1	-34.7	-36.5	-37.8	
- Tax, financial expenses	-0.6	-2.0	-1.1	-0.7	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	14.9	-19.1	-9.9	-8.8	-6.1	-5.9	-7.3	-7.6	-9.2	-8.1	-2.8	
Operating cash flow	**126**	**100**	**121**	**127**	**133**	**137**	**142**	**147**	**152**	**160**	**170**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-24.6	-25.0	-25.2	-25.6	-25.8	-25.9	-26.1	-26.2	-26.3	-26.4	-26.4	
Free operating cash flow	**102**	**75.1**	**95.9**	**102**	**108**	**111**	**115**	**121**	**126**	**134**	**143**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	102	75.1	95.9	102	108	111	115	121	126	134	143	2167
Discounted FCFF		**72.4**	**84.7**	**82.2**	**79.5**	**75.1**	**71.3**	**68.5**	**65.1**	**63.2**	**61.9**	**937**
Sum of FCFF present value		1662	1589	1504	1422	1343	1268	1196	1128	1063	999	937
Enterprise value DCF		**1662**										
- Interest bearing debt		-42.8										
+ Cash and cash equivalents		26.6										
-Minorities		25.2										
-Dividend/capital return		-75.4										
Equity value DCF		**1595**										
Equity value DCF per share		**63.4**										

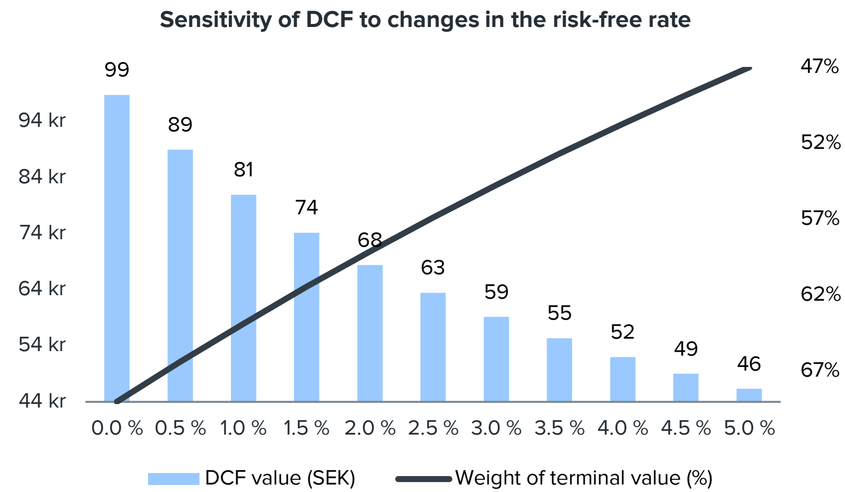
WACC	
Tax-% (WACC)	20.6 %
Target debt ratio (D/(D+E)	7.0 %
Cost of debt	5.0 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
Cost of equity	**9.7 %**
Weighted average cost of capital (WACC)	**9.3 %**

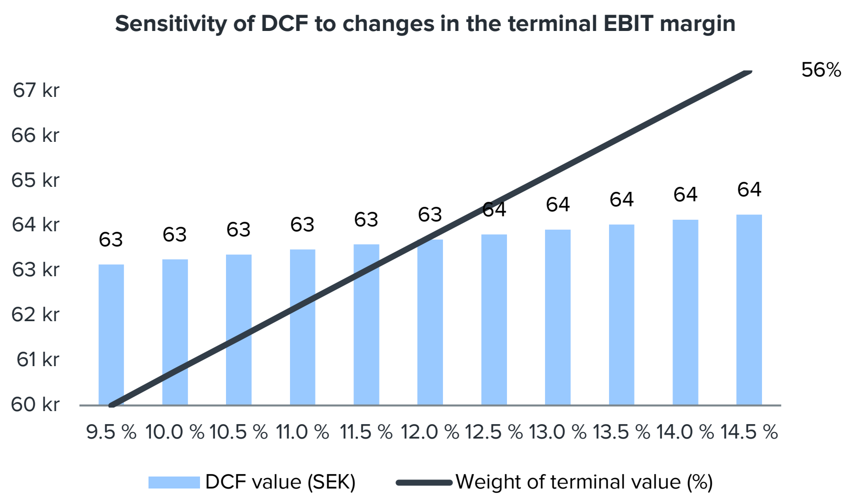
Source: Inderes

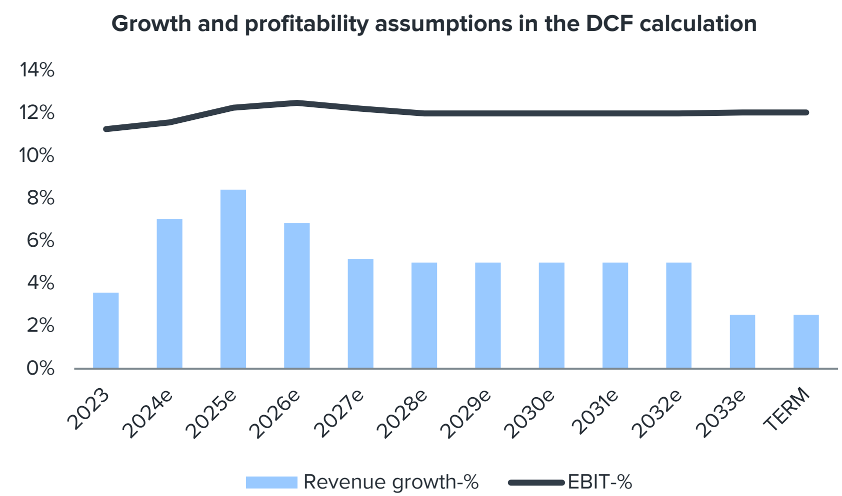


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	796.1	861.0	891.8	**954.7**	**1035.2**
EBITDA	139.6	107.7	133.6	**143.3**	**159.0**
EBIT	104.1	72.9	100.6	**110.6**	**127.0**
PTP	106.9	70.4	97.7	**101.5**	**121.8**
Net Income	86.0	50.9	76.0	**79.4**	**95.0**
Extraordinary items	0.0	-21.0	0.0	**0.0**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	680.7	653.4	631.5	**652.3**	**669.9**
Equity capital	334.2	324.8	350.8	**354.7**	**374.3**
Goodwill	34.7	36.5	36.4	**36.4**	**36.4**
Net debt	39.2	65.6	16.2	**23.7**	**7.2**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	139.6	107.7	133.6	**143.3**	**159.0**
Change in working capital	-1.3	-21.8	14.9	**-19.1**	**-9.9**
Operating cash flow	120.1	67.2	126.2	**100.1**	**121.1**
CAPEX	-32.8	-31.6	-24.6	**-25.0**	**-25.2**
Free cash flow	87.2	35.6	101.6	**75.1**	**95.9**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.6	1.0	1.3	**1.5**	**1.4**
EV/EBITDA	9.1	7.8	8.5	**10.0**	**9.0**
EV/EBIT (adj.)	12.2	9.0	11.3	**13.0**	**11.2**
P/E (adj.)	14.6	11.1	15.0	**18.2**	**15.2**
P/B	3.7	2.4	3.2	**4.0**	**3.8**
Dividend-%	5.0 %	6.3 %	6.6 %	**5.2 %**	**5.9 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	3.42	2.02	3.02	**3.16**	**3.78**
EPS (adj.)	3.42	2.86	3.02	**3.16**	**3.78**
OCF / share	4.77	2.67	5.02	**3.98**	**4.82**
FCF / share	3.47	1.42	4.04	**2.99**	**3.81**
Book value / share	13.52	13.18	14.20	**14.36**	**15.14**
Dividend / share	2.50	2.00	3.00	**3.00**	**3.40**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	8%	8%	4%	**7%**	**8%**
EBITDA growth-%	87%	-23%	24%	**7%**	**11%**
EBIT (adj.) growth-%	209%	-10%	7%	**10%**	**15%**
EPS (adj.) growth-%	357%	-16%	6%	**4%**	**20%**
EBITDA-%	17.5 %	12.5 %	15.0 %	**15.0 %**	**15.4 %**
EBIT (adj.)-%	13.1 %	10.9 %	11.3 %	**11.6 %**	**12.3 %**
EBIT-%	13.1 %	8.5 %	11.3 %	**11.6 %**	**12.3 %**
ROE-%	27.0 %	15.2 %	22.1 %	**22.1 %**	**25.6 %**
ROI-%	22.7 %	16.6 %	25.1 %	**27.6 %**	**31.0 %**
Equity ratio	49.1 %	49.7 %	55.6 %	**54.4 %**	**55.9 %**
Gearing	11.7 %	20.2 %	4.6 %	**6.7 %**	**1.9 %**

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Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2024-08-07	Accumulate	63.0 kr	57.3 kr

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