

Don't pull the plug

- Scandinavian one-stop-shop
- Resilient B2B demand
- Margin improvement by scale

Brdr. A&O Johansen

Brødrene A&O Johansen is a Danish distributor serving professional tradespeople, construction companies, and DIY customers across Scandinavia. Its omnichannel offering spans plumbing, electrical, water, drainage, tools, and building materials.

Case overview

Brdr. A&O is evolving from a Danish distributor into a broader Scandinavian wholesaler. An active acquisition strategy has added complementary product categories. The “everything under one roof” strategy strengthens customer retention and cross-selling. Investments in automated logistics and digital systems support more efficient operations as volumes scale.

Valuation and Target Price

Our valuation indicates that A&O is undervalued. The peer comparison and, primarily, the DCF and multiple valuations suggest that the current market valuation does not fully reflect the company's potential and fair value. We therefore recommend that we continue to **hold** the stock.

Target price (DKK): 113.35
Share price (DKK): 99.7



General Info

CEO	Niels A. Johansen
Exchange	Nasdaq Copenhagen
Sector	Distributor
Shares Outstanding (m)	28
Market Cap (mDKK)	2792
Net Debt (mDKK)	1724
Enterprise Value (mDKK)	4516
Free Float (%)	65.2

Valuation

Current Share Price (DKK)	99.7
Target Price DCF (DKK)	124.5
Target Price Peers (DKK)	106.2
Target Price Multiples (DKK)	124.5
Upside (%)	18.8

Analysts

Axel Halle
Elias Källman

Share price over the last 5 years



Source: Börsdata

DKKm	2024	2025	2026E	2027E	2028E
Net Sales	5429	6121	7157	8232	8701
Sales Growth	3.2%	12.7%	17.0%	15.0%	5.7%
Gross Earnings	1250	1483	1718	1992	2112
Gross Margin	23.2%	24.2%	24.0%	24.0%	24.0%
EBITDA	366	434	522	680	704
EBITDA Margin	6.7%	7.1%	7.3%	8.2%	8%
EBIT	246.1	292.6	300.6	481.4	519.2
EBIT Margin	4.5%	4.8%	4.2%	5.8%	5.9%
Earnings	163	201	200	255	284
Earnings Margin	3.0%	3.3%	3.3%	2.5%	2.4%

	LTM	2026E	2027E	2028E
P/E	13.2x	14.0x	10.9x	9.8x
EV/EBITDA	8.8x	8.7x	6.6x	6.4x
EV/EBIT	13.4x	15.0x	9.4x	8.7x
EV/S	0.6x	0.6x	0.5x	0.5x
Net Debt/EBITDA	2.7x	3.3x	2.5x	2.4x

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Investment Case

Resilient B2B base with recurring demand

A&O's business is more defensive than a conventional construction-exposed distributor. B2B represented 82.7% of Q2 2026 revenue, while approximately 70% of B2B sales originated from repair and maintenance rather than project activity. This creates a substantial base of recurring demand from professional tradesmen, which may provide greater resilience in a weaker macroeconomic environment than a business solely dependent on new construction projects.

This was reflected in Q2, when B2B revenue increased 10.9% year-on-year and the B2B EBITDA margin improved to 11.5% from 11%. However, the project market remains exposed to intense price competition, making margin development an important risk to monitor.

One-stop-shop strategy and Scandinavian expansion

A&O is expanding its product offering to become a complete supplier for professional customers. The “everything under one roof” concept aims to increase customer convenience, store visits and cross-selling by making more relevant product categories available through the same supplier. The acquisition of Elektroimportøren adds a complementary electrical-product assortment and enables A&O to introduce selected products through Elektroimportøren's store network. Conversely, Elektroimportøren's Namron own brand, which represents around one-third of its revenue, could eventually be assessed for distribution through A&O's Danish B2B stores and B2C webshops. Sweden also represents a meaningful growth opportunity. A&O has 10 Swedish B2B stores and intends to expand in the market with both the A&O and Elektroimportøren brands. Management indicated that new Swedish A&O stores typically reach EBITDA break-even within 12 months and mature over approximately three years.

Acquisitions and operational efficiency

A&O's acquisitions of JMV Cables and Elektroimportøren strengthen its addressable market, assortment and Scandinavian footprint. JMV Cables adds specialist cable capabilities, while the previously mentioned Elektroimportøren gives A&O access to a leading Norwegian omnichannel operator with 32 stores in Norway and 2 in Sweden. The acquisition rationale is primarily growth and commercial synergies rather than near-term cost savings. At the same time, A&O continues to invest in warehouse capacity, IT, digitalisation and automation. These investments support lower operating costs and greater scalability over time.

Ownership Structure and Key Personnel

A tightly controlled company

A&O's ownership structure gives the Johansen family substantial influence over strategy, capital allocation and board composition. Avenir Invest ApS, where Niels A. Johansen serves as Chair of the Board, held 20.8% of the share capital and 71.7% of voting rights. Niels A. Johansen separately held 9.7% of capital and 3.6% of voting rights. Combined, these disclosed holdings represented 30.5% of share capital and 75.3% of voting rights. The remaining shareholder base largely consists of funds and institutional capital.

Management continuity and succession risk

Niels A. Johansen is A&O's CEO and has been a board member since 1979. Born in 1939, he is 87 years old and remains both the company's chief executive and a director. His long experience and ownership alignment are important attributes, but they also concentrate leadership and control in one individual.

As CFO and Deputy CEO, Per Toelstang is the most senior executive below Niels A. Johansen and, in our view, a plausible internal candidate to eventually assume the CEO role. So far, the company has yet to publicly name a successor. This is a key factor to monitor in the coming years, given Niels A. Johansen's age. That said, operational continuity is likely safeguarded by the existing executive team, including Toelstang, and Avenir's controlling voting interest should preserve the family's influence over the company.

Owners	Capital %	Votes %	Value (DKK)
Avenir Invest ApS	20.82%	71.65%	580 085 000
Niels A. Johansen	10.14%	3.93%	282 447 665
Nordnet Bank AB	4.93%	1.75%	137 239 753
BI Asset Mgmt Fondsmaeglerselskab A/S	3.78%	1.34%	105 264 134
Lannebo Kapitalförvaltning	2.97%	1.06%	82 697 534
Brødrene A&O Johansen	2.72%	0.97%	75 725 669
eQ Asset Management Oy	2.45%	0.87%	68 157 500
Norges Bank Investment Management	1.79%	0.63%	49 760 050
Industriens Pension	1.47%	0.52%	40 831 516
Lili Johansen	1.43%	0.83%	39 767 662

Source: Börldata

Business Model

Building a Scandinavian one-stop-shop platform

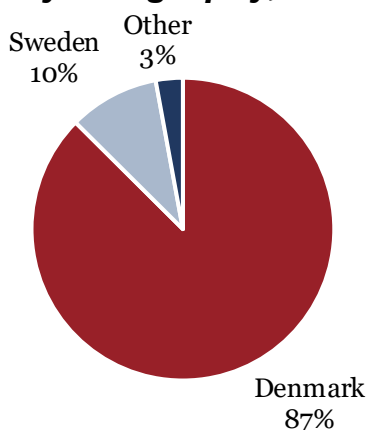
A&O operates an omnichannel distribution model for professional tradesmen, construction customers and private DIY consumers. The Group combines physical stores, web shops, showrooms, central warehouses and direct-delivery capabilities, allowing customers to purchase through the channel most suited to their needs. A&O's strategic ambition is to build a broader Scandinavian platform. The professional business operates under the A&O brand in Denmark and Sweden, while the consumer business serves Denmark, Norway and Sweden through a portfolio of differentiated online stores. A&O further differentiates its store network through AO365, which enables professional customers to access stores 24/7 via app-based entry outside regular opening hours.

The business is underpinned by a broad supplier and product base. A&O works with more than 1,000 suppliers and carries approximately 600,000 SKUs, supporting its objective to offer customers an “everything under one roof” solution.

Complementary B2B and B2C channels

B2B is A&O's main earnings base, serving professional tradesmen, large construction companies and other business customers. Roughly 70% of B2B revenue is generated from repair and maintenance, with the other 30% coming from projects. The B2C segment extends the same infrastructure to private consumers through more than 20 specialised web shops running on shared back-end platforms. All B2C sales are digital, while two showrooms provide a physical complement for customers who want product advice or a touch-and-feel experience before purchasing. Geographically, Denmark accounted for approximately 87% of group revenue in full year 2025, with Sweden contributing around 10% and other markets, including Norway, accounting for the remaining 3%.

Revenue by Geography, Full-Year 2025



Source: Annual Report 2025

Business Model

Established distribution network with scope for expansion

A&O's existing B2B network comprised 55 stores in Denmark and 10 stores in Sweden as of Q2 2026. These locations complement the Group's digital channels and provide local product availability, service and customer contact for professional customers. Almost half of B2B sales are digital, illustrating that the store network is integrated with, not separate from, the online channel.

A&O's future growth strategy includes expanding its footprint in Sweden and broadening its Scandinavian reach through acquisitions. The acquisition of Elektroimportøren adds 32 stores in Norway, two stores in Sweden and two central warehouses, while also adding exposure to lighting, electrical equipment, cables, heating and smart-home products.

New-store expansion in Sweden is initially dilutive to margins, as costs are incurred before each location reaches full sales potential. Management has indicated that Swedish stores typically reach EBITDA break-even within the first 12 months, although some have done so sooner. A store generally takes around three years to mature, implying that the financial contribution from the Swedish rollout should build progressively as the store base develops.

The central warehouse in Albertslund and logistics centre in Horsens support both physical and digital sales. Approximately 90% of products in Albertslund are picked automatically, which is intended to support service quality, reliability and efficiency as sales volumes and product breadth increase.

Market and Competition

Market structure and growth drivers

A&O expected market activity to grow by 1-3% in 2026, supported by gradually improving residential construction and project activity. Longer-term demand is supported by electrification, energy efficiency, climate adaptation and rising digitalisation across construction and installation markets. A&O also identifies a growing shortage of skilled installers, which increases the value of efficient logistics, digital ordering and documentation services.

Defensive mix, but cyclical project exposure

A&O's B2B sales are weighted towards repair and maintenance, which account for roughly 70% of B2B revenue, while projects account for the remaining 30%. This provides a relatively stable base of recurring activity, but project volumes and pricing remain sensitive to construction demand, interest rates and investment appetite. The key cyclical risk is margin pressure rather than volume pressure alone. In Q2 2026, management stated that wholesale capacity exceeded demand, creating a strong customer focus on price, particularly in project sales. Geopolitical uncertainty, higher freight costs and less predictable supply terms are additional risks to demand and gross margin.

Competition, positioning and entry barriers

A&O operates primarily in a concentrated Danish technical-wholesale market. Management has stated that five large technical wholesalers account for around 80% of the Danish installer-business market, although A&O does not disclose individual market shares. Relevant competitors include Solar, Dahl, Ahlsell, Sanistål, Onninen and Lemvigh-Müller. Solar is active across electrical, heating, plumbing and industrial distribution in Denmark, Sweden and Norway, while Dahl operates in plumbing, sanitary and heating distribution across the Nordic region. A&O differentiates itself through a wide product range, more than 1,000 supplier relationships, local stores, digital ordering and automated fulfilment capabilities. Around 90% of product picking in the central warehouse is automated, supporting service levels, reliability and efficiency. These capabilities create practical entry barriers through required capital investment, logistics expertise, supplier relationships, local market coverage and customer proximity, although A&O acknowledges that competitors can enter or expand in Denmark. Regulation is becoming more relevant through higher sustainability, product data and documentation requirements. A&O highlights demand for certified products, circular solutions and support for customers' compliance needs, while product regulation and packaging requirements may increase complexity across the value chain.

Financial Performance and Estimates

Historical figures

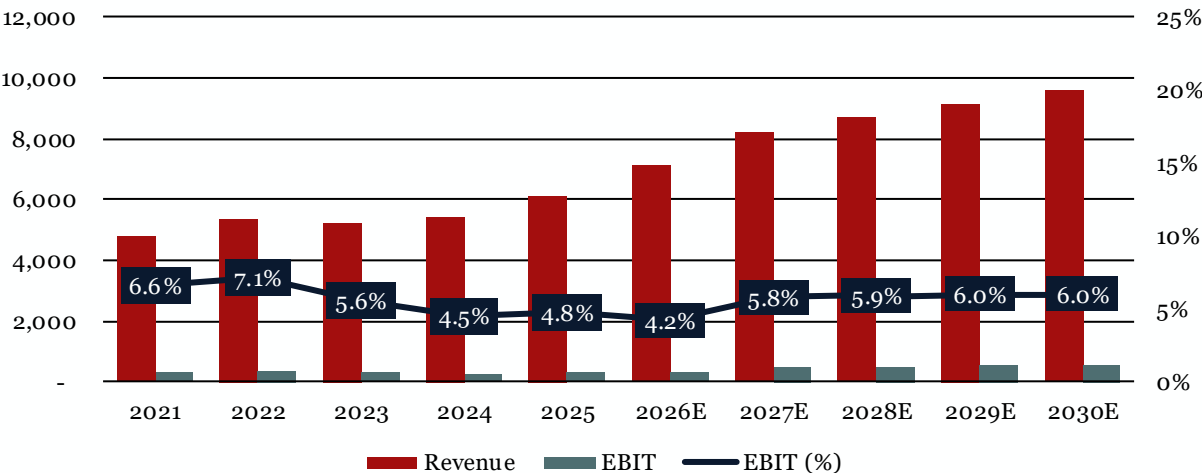
A&O has delivered stable long-term growth, with revenue increasing from DKK 2.8bn in 2018 to DKK 6.1bn in 2025, corresponding to an 8% CAGR. Revenue grew every year from 2013 through 2022, before declining by 2.1% in 2023, the first annual contraction in more than ten years. Growth returned in 2024 and accelerated to 12.7% in 2025, when revenue reached DKK 6.1bn. Profitability improved gradually through the period, with EBIT margin rising from 4.5% in 2015 to a record 7.1% in 2022. The margin subsequently normalised to 5.6% in 2023, 4.5% in 2024 and 4.8% in 2025. Across 2016-2025, A&O generated an average EBIT margin of approximately 5.3%. The long-term target is a 10% EBITDA margin, supposedly reachable via higher volumes, price discipline, efficiency gains and synergies from acquisitions. The average EBITDA margin for the last decade was, however, 7.6%, and we do not consider this target realistic in the near term.

We consider the 2022 profitability level as above a sustainable level, rather than an appropriate base for forward estimates. Our estimates assume that EBIT margin gradually recovers towards approximately 6%, which is above the historical average, but remains below the 2022 peak. The average EBIT margin in our estimates is 5.7%. We forecast revenue to grow at a 5.2% CAGR between 2025 and 2032 driven by organic growth, acquisitions and expansion in Scandinavia, primarily Sweden. This represents a moderation from the historical 8% CAGR recorded between 2016 and 2025, but remains supported by A&O’s stated ambition to consistently outgrow the market through both organic growth and acquisitions by 2%.

Organic growth momentum

Organic growth re-accelerated to 8.4% and reached 10.6% in Q2 2026, excluding the acquisition of VVS-Eksperten. This supports the view that A&O is gaining share in a gradually improving market, rather than relying solely on acquisitions to deliver its growth ambition.

Revenue, EBIT and EBIT Margin (DKKm)



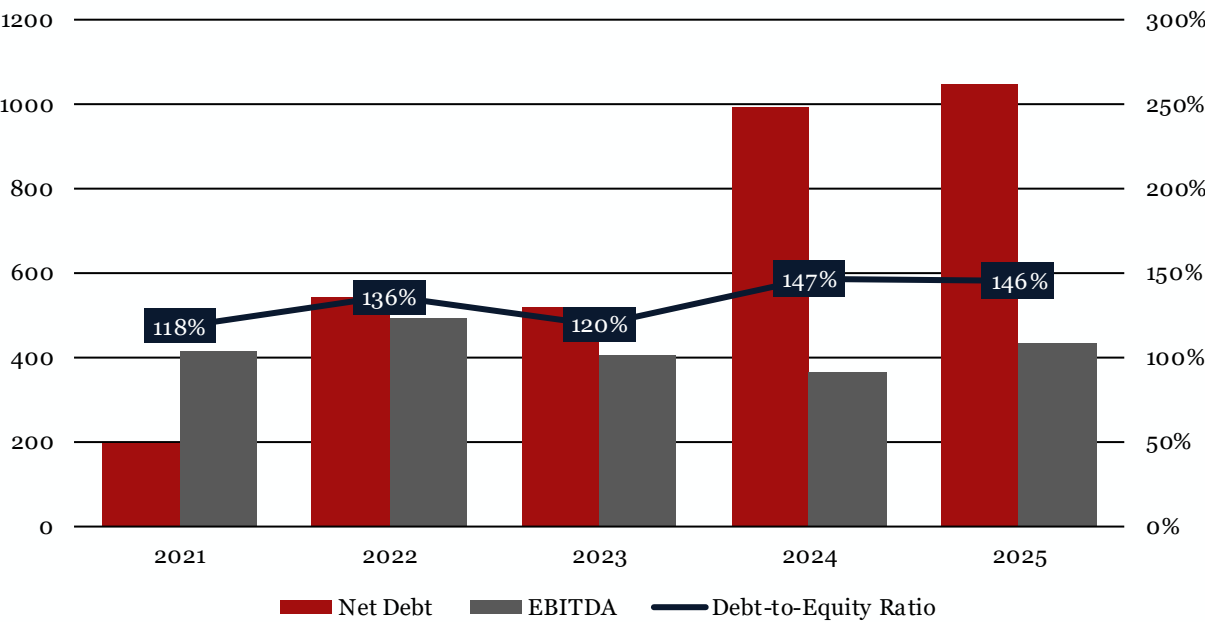
Sources: Börsgata, UEAM Estimates

Financial Performance and Estimates

Investment cycle, capital returns and leverage

A&O is investing and acquiring ahead of returns. Cash outflow from investing activities was DKK 116.4m in H1 2026, compared with management’s estimate of approximately DKK 100m in normal annual maintenance investment. The additional investment is directed towards warehouse capacity, IT, digitalisation and growth initiatives. This has reduced near-term capital returns. ROCE declined from 12.7% in 2022 to 7.4% in 2025, reflecting a higher capital base, acquisitions and margin normalisation. Reported ROCE was 4.2% in H1 2026 and is not annualised. Net interest-bearing debt was DKK 1,226.9m, or 2.7x EBITDA, at the end of H1 2026, modestly above A&O’s 1.0–2.5x target range. The Elektroimportøren acquisition will increase leverage initially, and management has indicated that subsequent deleveraging should be driven by EBITDA growth and debt repayment. A central question is therefore whether higher investment, Swedish expansion and acquisitions can translate into stronger earnings and cash generation quickly enough to rebuild returns and bring leverage back within the target range.

Net Debt, EBITDA and Debt-Equity Ratio (DKK m)



Source: Börssdata

Valuation

Peer Analysis

There are few directly comparable listed peers for A&O because its business combines technical distribution, B2B wholesale, e-commerce and workwear. We have therefore selected a peer group that reflects the different components of A&O's business model. Solar is the closest Nordic reference due to its exposure to electrical, HVAC and technical distribution. We exclude Solar's 2026E valuation from the peer average, as it is affected by company-specific circumstances that would distort the comparison. We also include French-listed Thermador Groupe and Rexel, which provide relevant exposure to technical distribution across electrical, heating and plumbing-related categories. Finally, Alligo is included as a reference for A&O's growing workwear exposure following recent acquisitions. Based on the peer group, we derive a target price of DKK 106.2 per share, a modest upside of 6.5%, compared with the current share price of DKK 99.7.

Company	Size		Valuation				Financial Performance			
	MCAP	EV	P/E		EV/EBIT		Full-Year Revenue Growth		Full-Year EBIT Margin	
			2025	2026E	2025	2026E	2025	2026E	2025	2026E
Solar	1574 MSEK	3891 MSEK	20.1x	N/A	20.0x	N/A	-0.4%	8.9%	1.3%	0.7%
Rexel	10739 MSEK	15595 MSEK	18.8x	15.1x	13.5x	12.1x	0.7%	5.9%	5.8%	6.3%
Thermador Groupe	654 MSEK	599 MSEK	15.6x	13.1x	10.8x	9.0x	-0.4%	4.4%	11.9%	12.7%
Alligo	6730 MSEK	9667 MSEK	25.9x	14.2x	21.1x	13.7x	2.3%	7.0%	4.9%	6.9%
Median	4152 MSEK	6779 MSEK	19.5x	14.2x	16.8x	12.1x	0.2%	6.5%	5.4%	6.6%
Average	4924 MSEK	7438 MSEK	20.1x	14.1x	16.4x	11.6x	0.6%	6.6%	6.0%	6.7%
Brdr. A&O	4215.92 MSEK	6068 MSEK	13.0x	14.0x	12.8x	15.0x	12.7%	17.0%	4.8%	4.2%

DCF valuation

Our DCF generates a target price of DKK 124 per share, based on a 9% WACC and a 2% terminal growth rate. Our calculations resulted in a WACC of 8.4%, but we chose to add a 0.6% risk premium due to the risk profile of A&O's business. This represents an upside of 24.5% from the current share price of DKK 99.7. The model assumes revenue growth gradually normalises while EBIT margin improves towards the 6% mark. The current share price trades below both the peer-based target and the DCF target, suggesting limited downside.

WACC	TGR							
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
	12.0%	-43%	-40%	-36%	-32%	-28%	-23%	-18%
	11.0%	-31%	-27%	-23%	-18%	-12%	-6%	1%
	10.0%	-17%	-11%	-6%	1%	8%	17%	27%
	9.0%	1%	8%	16%	25%	35%	47%	61%
	8.0%	24%	33%	44%	57%	72%	90%	112%
	7.0%	54%	67%	83%	102%	125%	153%	191%
	6.0%	94%	114%	138%	169%	208%	260%	333%

Valuation

Multiple valuation

We use EV/EBIT as the primary multiple, as it better reflects the economic cost of A&O's warehouse, software, automation and store investments than EBITDA. We expect A&O to trade at 12.5x EV/EBIT in 2026E, declining to 10.2x in 2027E and 10x in 2028E assuming an unchanged stock price.

In the base case, we assume an EV/EBIT multiple of 11.3x and a P/E multiple of 11.7x. The argument for the bear case is that a weakening market and failed acquisitions would affect performance, combined with multiple contraction. EV/EBIT is set at 7.5x and P/E at 8x.

The bull case instead assumes optimistic markets and successful integration of acquisitions, where clear synergies are achieved, resulting in an increase in the EBIT margin. In contrast to the bear case, a multiple expansion is assumed, with EV/EBIT at 12.5x and P/E at 14x.

Method	Bear	Base	Bull
Scenario P/E (2027E)	74.95 DKK	124.5 DKK	200.49 DKK
Scenario EV/EBIT (2027E)	70.26 DKK	124.5 DKK	179.01 DKK

Recommendation

Don't pull the plug – Hold

A&O combines a resilient B2B base with a credible path to broader Scandinavian scale. Strong organic growth in Q2 2026 supports the underlying case, while the acquisition of Elektroimportøren expands the platform in Norway and Sweden and broadens the Group's product offering.

The key trade-off is that the growth strategy requires capital before the full earnings contribution is visible. Higher investment, Swedish expansion and the Elektroimportøren acquisition raise execution risk and increase leverage in the near term. Management expects deleveraging to be driven primarily by EBITDA growth, supplemented by lower net debt, but the timing will depend on future investment needs and operating performance.

The current valuation offers a favourable risk/reward profile: the discount to our peer-based and DCF valuations provides downside support, while successful Nordic execution, margin recovery and deleveraging offer meaningful upside. We therefore maintain our **hold** recommendation.

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