Nordea

Commissioned Equity Research • 2 April 2020

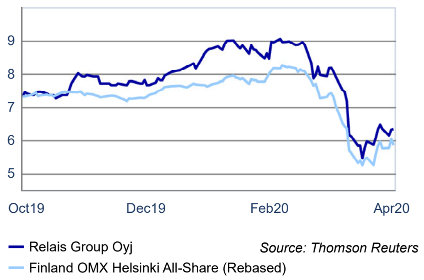
# Relais Group Oyj

**Consumer Goods**
Finland

### KEY DATA

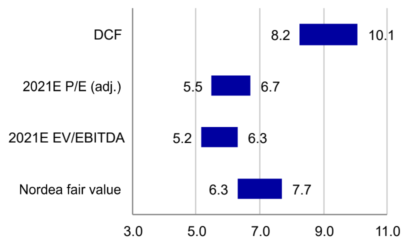
| | |
|---|---|
| Stock country | Finland |
| Bloomberg | RELAIS FH |
| Reuters | RELAIS.HE |
| Share price (close) | EUR 6.38 |
| Free Float | 30% |
| Market cap. (bn) | EUR 0.11/EUR 0.11 |
| Website | www.relais.fi |
| Next report date | 14 Aug 2020 |

### PERFORMANCE




*Source: Thomson Reuters*

### VALUATION APPROACH (EUR/SHARE)




*Source: Nordea estimates*

### ESTIMATE CHANGES

| Year | 2020E | 2021E | 2022E |
|---|---|---|---|
| Sales | n.a. | n.a. | n.a. |
| EBIT (adj) | n.a. | n.a. | n.a. |

*Source: Nordea estimates*


**Nordea Markets - Analysts**
**Joni Sandvall**
Analyst

**Svante Krokfors**
Analyst


## Realising market consolidation

Relais is a leading importer and wholesaler of electrical equipment and spare parts for vehicles in the Nordic and Baltic regions. The market is still very fragmented, and as an active market consolidator, Relais has managed to grow revenue with a CAGR of 17% in 2010-19. We expect the underlying market to be favourable as passenger vehicles in Relais' main markets are relatively old and thus require spare parts. However, the COVID-19 situation will test how defensive Relais' target market is and could lead to consumers postponing servicing their cars in the near term. We derive a fair value range of EUR 6.3-7.7 per share for Relais.

### Leading player in a growing market

Relais focuses mainly on distributing electrical equipment and spare parts for vehicles via its B2B channel. It focuses strongly on customer service through its proprietary digital platform, utilising its superior experience, especially in electrical parts and equipment. Deliveries are handled expediently through modern logistics centres and warehouses, and after the recent acquisitions, some 70-80% of the >18m vehicles in the target market are within the company's reach from its current locations. Annual market growth has been 1-3% in the recent years; going forward, Relais aims to outgrow the market organically, in addition to which it targets 1-2 bolt-on acquisitions annually.

### M&A-focused growth strategy

Relais aims to double revenue in the coming five years, implying net sales of around EUR 240m in 2024, or a sales CAGR of ~15% in 2018-2024 (pro forma). We believe the company could fund future M&A via its balance sheet (net gearing 54% in 2019) and future cash flows, as well as via targeted share issues. We do not model in potential M&A, but calculate EUR 45m of additional debt capacity by 2022 for M&A without stretching the balance sheet, which could push sales and EBITA to EUR 176m and EUR 27m respectively in 2022. With the current structure, we forecast a sales CAGR of 12% and an EBITA (adjusted) CAGR of 19% in 2019-22.

### Valuation

We base our fair value on a combination of valuation methods, including DCF as well as EV/EBITDA and P/E valuation multiples. Based on these methods and the assumption that the company can deliver revenue growth and profitability in line with our expectations, we derive a fair value range of EUR 6.3-7.7 per share for Relais.

### SUMMARY TABLE - KEY FIGURES

| EURm | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|---|---|---|---|---|---|---|
| Total revenue | 59 | 60 | 72 | 99 | 113 | 128 | 137 |
| EBITDA (adj) | 11 | 8 | 9 | 13 | 14 | 19 | 22 |
| EBIT (adj) | 8 | 6 | 6 | 8 | 7 | 12 | 15 |
| EBIT (adj) margin | 14.4% | 10.2% | 7.9% | 7.9% | 6.3% | 9.4% | 10.7% |
| EPS (adj) | 0.40 | 0.42 | 0.34 | 0.29 | 0.15 | 0.37 | 0.49 |
| EPS (adj) growth | n.a. | 3.9% | -17.9% | -13.6% | -50.6% | 157.2% | 31.7% |
| DPS (ord) | 0.00 | 0.00 | 0.00 | 0.10 | 0.15 | 0.20 | 0.24 |
| EV/Sales | n.a. | n.a. | n.a. | 1.4 | 1.3 | 1.1 | 1.0 |
| EV/EBIT (adj) | n.a. | n.a. | n.a. | 17.3 | 21.5 | 12.0 | 9.1 |
| P/E (adj) | n.a. | n.a. | n.a. | 28.0 | 43.8 | 17.0 | 12.9 |
| P/BV | n.a. | n.a. | n.a. | 1.6 | 1.6 | 1.5 | 1.4 |
| Dividend yield (ord) | n.a. | n.a. | n.a. | 1.2% | 2.4% | 3.1% | 3.8% |
| FCF Yield bef A&D, lease | n.a. | n.a. | n.a. | 1.4% | 6.6% | 8.5% | 12.0% |
| Net debt | 22 | 22 | 18 | 35 | 37 | 30 | 20 |
| Net debt/EBITDA | 2.5 | 2.6 | 2.0 | 2.6 | 2.6 | 1.5 | 0.9 |
| ROIC after tax | 35.3% | 12.4% | 11.1% | 8.0% | 4.7% | 7.8% | 9.8% |

*Source: Company data and Nordea estimates*

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# Factors to consider when investing in Relais

Relais is an importer and wholesaler of vehicle spare parts and equipment, operating in the independent vehicle spare part and equipment aftermarkets in the Nordics and the Baltics. The company has been listed in the First North marketplace of Nasdaq Helsinki since 2019. Relais aims to outgrow the market organically and is also actively seeking acquisition targets. A successful M&A strategy plays a crucial role in Relais as it aims to double sales in the next five years, which is not possible on an organic basis. The Nordic vehicle spare part and equipment aftermarket is fragmented, which creates good opportunities for market consolidation. The company targets 1-2 add-on acquisitions per year. Relais aims to further improve its margins through a comprehensive product range, a digital platform and superior customer service. In 2011-19, average organic growth was 7%, while going forward, the pandemic will test the defensive characteristics of Relais' target market. We forecast a decline in organic sales in 2020, followed by rebound in 2021-22. Using a combination of valuation methods, we arrive at a fair value of EUR 6.3-7.7 per share for Relais.

### Relais operates in the growing independent aftermarket

Market growth has been 1-3% in recent years

Relais is one of the leading players in the Nordic independent vehicle spare part and equipment aftermarket. According to the company, its market growth has been between 1-3% in recent years, and the market is characterised by its defensive nature. Nordic and Baltic car parcs are among the oldest in Europe; older cars usually use more independent aftermarket spare parts than Original Equipment Manufacturer (OEM) parts, which creates a good base for independent aftermarket players. Relais is not involved in retail channels and does not have own repair shops, operating only as an importer and wholesaler.

Relais seeks to consolidate the fragmented market

Relais has been active in consolidating the fragmented market, in addition to achieving good organic sales growth. Average organic growth in 2011-19 was some 7%, while reported growth in the period was some 18% per year. The recent acquisitions of ABR and Huzells almost doubled Relais' top line and created a more comprehensive product offering. The company targets annual revenue synergies of EUR 6-8m from the acquisitions by 2021, which are expected to be realised through cross-selling and purchasing.

### The target market has defensive characteristics

Relais' target market has defensive characteristics. During economic downturns, people tend to postpone their durable goods investments and choose less expensive alternatives, which is visible in new car sales as well as in the sales of spare parts and equipment. We note that the independent aftermarket is likely relatively less vulnerable to economic downturns as independent parts are a substitute to more expensive original equipment (OE).

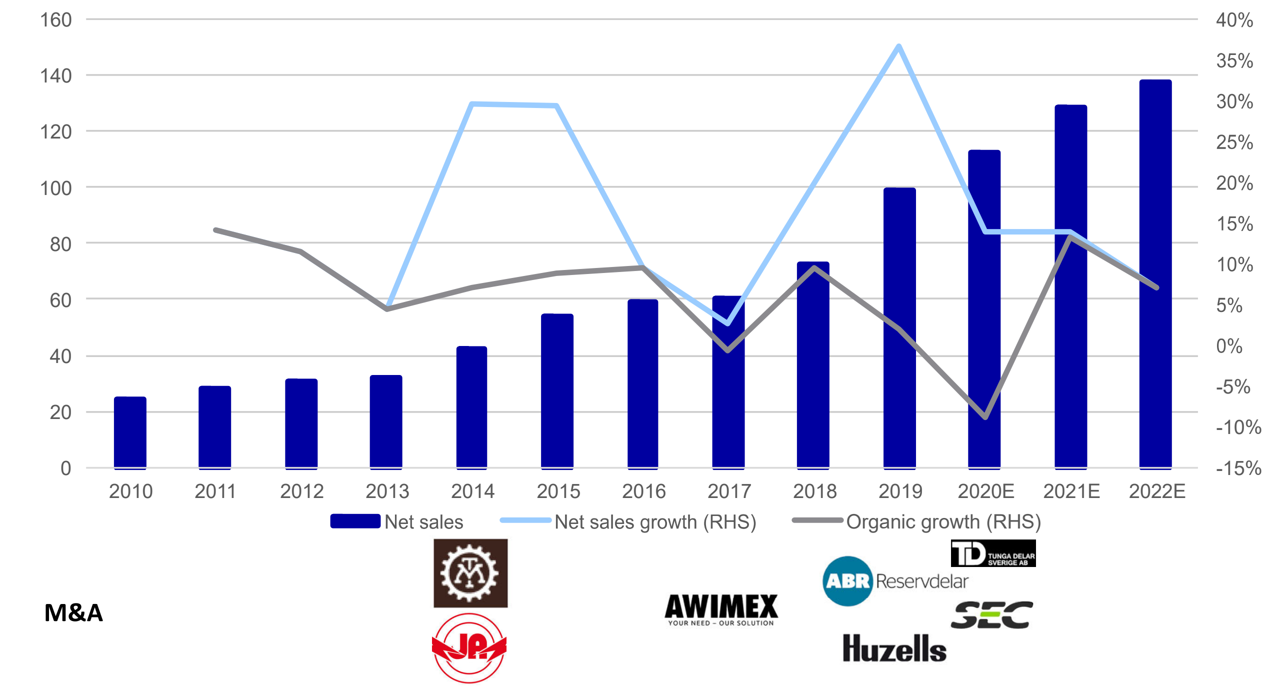
The number of vehicles in the target market increased with a ~2% CAGR in 2015-18

According to local statistics, there are some 18.3m vehicles (cars and commercial vehicles) in traffic in the Nordics and Baltics. The number of vehicles increased with a 1.9% CAGR in 2015-18, which combined with the high car age, creates a good base for replacement parts and equipment. The growth in the number of vehicles is well in line with Relais' view of 1-3% market growth in recent years.

Target market is characterised by older cars

The average vehicle age in the target market is relatively high. According to Eurostat, the share of passenger cars older than five years was 83% in Finland and 64% in Sweden in 2017. Relais' offering is mainly targeted at used cars in the 4-10-year age group as these cars more often use independent aftermarket parts than newer cars that are typically serviced in OEM channels, typically using the vehicle manufacturer's branded parts and equipment.

**NET SALES (EURm), SALES GROWTH (%) AND ACQUISITIONS**




*Source: Company data and Nordea estimates*

Relais has ~150,000 SKUs

## Wide product offering of global brands and private labels

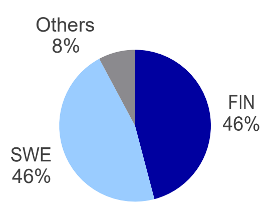
Relais currently has ~150,000 stock-keeping-units (SKU). The company offers its B2B clients a wide offering of global brands, in addition to its comprehensive range of private-label products , especially within lighting solutions. We estimate that private label accounts for some 20% of group sales, and they yield higher margins than branded products.

Sourcing is done through hundreds of suppliers and no single supplier or customer accounts for more than 10% of revenue. Sourcing is organised in the group companies, but the company has centralised sourcing to some extend after the recent acquisitions.

Relais specialises in electrical equipment and lighting solutions

Relais is specialised in vehicle electronics and spare parts, and it also has high exposure and expertise in the equipment market, more specifically in lighting solutions. The company markets its lighting solutions through strong private labels, as well as through global brands.

**2018 PRO FORMA SALES SPLIT**




*Source: Company data*

# Finland and Sweden are the main markets for Relais

Finland has been the main market for Relais for years, but after the recent acquisition, both Finland and Sweden accounted for roughly 46% of 2018 pro forma net sales. The company has not provided a pro forma sales split for 2019, but we forecast roughly 50% of 2020 net sales to come from the Swedish operations.

Relais has operated in Finland since 1996, while its larger expansion started in 2010. Since 2011, the company has expanded its footprint and now operates in Finland, Sweden, Norway, Denmark, Estonia, Latvia and Lithuania. Across these countries, Relais has strong expertise, especially in vehicle electronics, spare parts and lighting solutions. It is major supplier of LED-based ancillary, work and alarm lighting.

## Finland

Relais serves clients in Finland through **Startax,** which specialises in electrical equipment and spare parts for cars and commercial vehicles. Startax has ~60,000 stock-keeping-units (SKU) from nearly all leading brands and manufacturers globally. Logistics are handled through the Lempäälä 16,000 square metre main logistics centre.

## Sweden

In Sweden, Relais operates through four companies. **Avimex** is specialised in power management and lighting solutions for commercial and heavy vehicles. **ABR** specialises in spare parts for passenger cars and light commercial vehicles, while **Huzells** is specialised in spare parts for commercial vehicles and heavy vehicles. **TD Tunga Delar** is a wholesaler of spare parts and equipment for heavy vehicles.

### Other countries

In addition to Finland and Sweden, Relais operates in Denmark and in the Baltics. In Denmark, the freshly acquired company is **SEC Scandinavia**, which is specialised in lighting solutions. In the Baltics, Relais operates through Startax.

**RELAIS BRANDS, LOCATIONS AND SPECIALITIES**

| | STARTAX | ABR Reservdelar | Huzells | AWIMEX | TD Tunga Delar Sverige AB | SEC |
|---|---|---|---|---|---|---|
| Locations | FIN, SWE, NOR and the Baltics | SWE | SWE | SWE | SWE | DEN |
| Vehicles | Passenger cars, commercial vehicles | Passenger cars, light commercial vehicles | Commercial vehicles | Commercial vehicles | Heavy-duty commercial vehicles | Commercial vehicles |
| Speciality | Electrical parts and equipment, lighting solutions | Brake systems | | Electrical equipment, lighting solutions | Spare parts | Lighting and camera solutions |

*Source: Company data and Nordea*

## Strategy

### M&A-driven growth strategy

Relais aims to double net sales by 2024

Relais' strategy leans on organic growth and consolidation of the market. The company aims to outgrow the market organically (according to the company, annual market growth has been 1-3% in recent years), and it seeks 1-2 bolt-on acquisitions per year. The target is to double net sales (from EUR 119m pro forma sales in 2018) by 2024, implying 2024 revenue of EUR ~240m. The company targets EUR 6-8m in annual net sales synergies from the acquired ABR and Huzells, mainly from cross-selling and purchasing. The acquired companies specialise in different categories, which is why we think cross-selling could be a good way to increase sales. Cost synergies are most likely only minor and mainly related to purchasing, as all acquired companies continue as own entities.

The Nordic spare part and equipment market is fragmented. Relais' main competitors are larger and more vertically integrated, while Relais targets more niche markets where it has successfully established a strong position (eg electrical components and lighting). According to Statistics Finland, there were roughly 1,000 companies in Finland classified as wholesaler or retailer of motor vehicle parts or accessories in 2018. In Sweden, the respective number of companies was around 2,400 in 2018 (source: Statistics Sweden).

### Three strategy cornerstones

Relais has three cornerstones for its current strategy period:

### 1. Organic growth

Relais aims to outgrow the market by expanding into new product categories as well as from cross-selling between its established and acquired businesses. On top of this, the company targets additional sales by acquiring new clients.

### 2. Growth via M&A

Relais targets accelerating growth via acquisitions and to be a consolidator in the Nordic and Baltic vehicle aftermarket sector. The company is actively looking at potential target companies, mainly wholesalers and equipment and service providers. The company aims to acquire 1-2 companies per year during its five-year strategy period.

### 3. Improved profitability

Relais aims to create value for its customers via a superior customer experience, a modern digital platform and a wide product range. The company intends to capitalise on the growing passenger- and commercial vehicle market in the Nordics and the Baltics.

## Financials

### Strong top-line growth set to continue

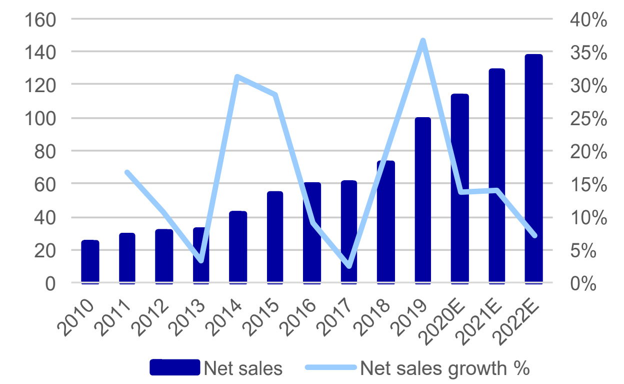
We expect organic sales growth to decline in 2020 and rebound in 2021-22...

As a result of the recent acquisitions, Relais top-line growth should continue in 2020. However, due to COVID-19, we forecast 9% top-line decline in 2020 on an organic basis, followed by rebound in 2021-22. We expect underlying demand to recover fairly quickly, while cross-selling opportunities with acquired businesses should support sales.

...with a 2.7 bp EBITA margin improvement

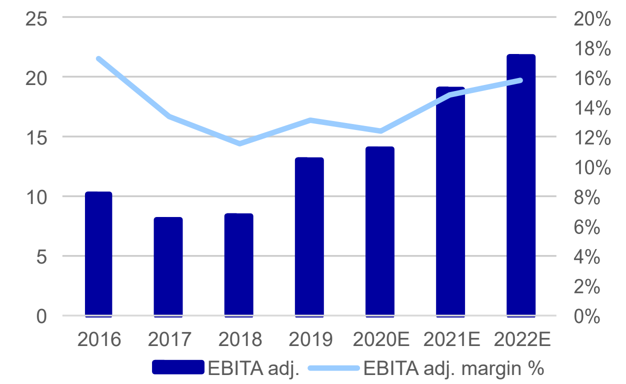
We forecast improving EBITA margins, mainly driven by scale benefits in sourcing and higher underlying margins in ABR and Huzells. The company has a proprietary digital platform that should support margin expansion, new customer acquisition and customer retention. Relais' adjusted EBITA was 13.1% in 2019; we forecast a 2.7 bp improvement to 15.8% in 2022.

**NET SALES (EURm) AND SALES GROWTH (%)**




*Source: Company data and Nordea estimates*

**ADJUSTED EBITA (EURm) AND EBITA MARGIN (%)**




*Source: Company data and Nordea estimates*

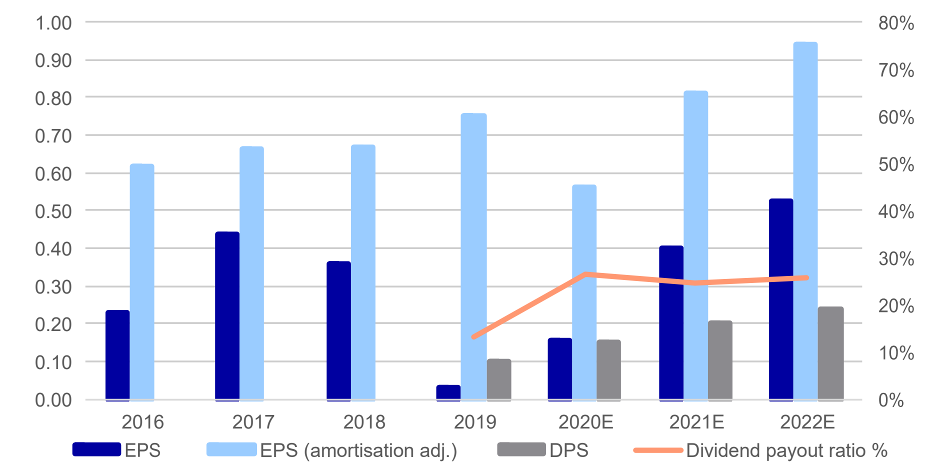
### FAS accounting burdens reported EPS

Relais currently reports under FAS accounting, which allows amortisation of goodwill. However, these amortisations are not tax deductible, leading to higher tax payments and lower EPS. We use adjusted figures in our valuation to reflect IFRS accounting in order to achieve better comparability with peers.

We forecast a ~25% dividend payout ratio for 2020-22

The company has financial agreements that forbid annual dividend payments in excess of EUR 4m. Our dividend assumption reflects this covenant, which we see likely to be removed at the latest by the end of current financial agreement in May 2023. We project a dividend payout ratio of around 25% of adjusted EPS for 2020-22. The company targets a dividend payout ratio over 30% of adjusted EPS, which we believe will be the case when its current financial agreement ends. Even a payout ratio above 30% would leave headroom for the company's M&A strategy, we believe.

**EPS, ADJUSTED EPS, DPS (EUR), AND DIVIDEND PAYOUT RATIO (%)**




*Note: In the calculation of 2016-18 EPS, the average number of shares is 8.6. For 2019, the average number of shares is 11.6m, and for 2020E-22E, the average number of shares is16.8m. Source: Company data and Nordea estimates.*

## Balance sheet and cash flows

Balance sheet deleveraged after the IPO

Relais has significantly deleveraged its balance sheet after its IPO, taking down net gearing from 112% in 2018 to 54% in 2019. During H1 2019, Relais raised around EUR 50m in additional net debt to fund the acquisitions of ABR and Huzells, and it raised EUR 20m in new equity in the IPO.

Low capital expenditures

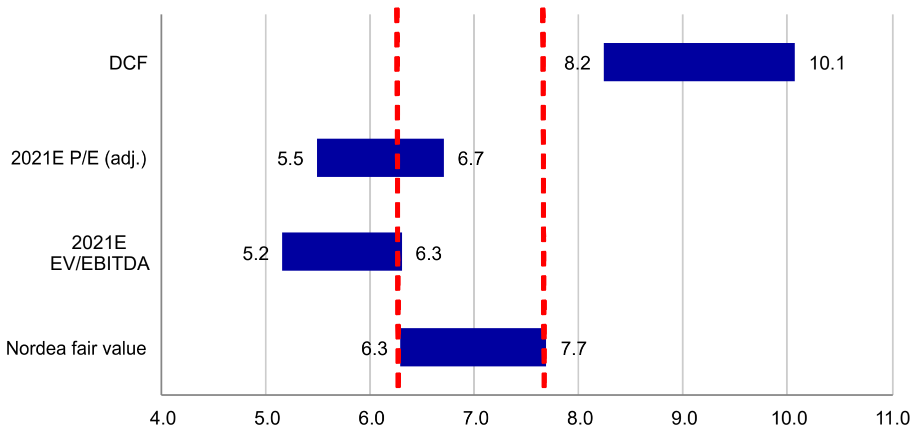
Cash flow of EUR 2m from operations was burdened by IPO costs in 2019. For 2020, we expect EUR 8m, with a EUR -2m impact from increased inventories as the company facilitates cross-selling in the acquired businesses. Due to low capital expenditure (we forecast around EUR 0.4m annually in 2020-22), we expect strong free cash flow yields of 6.6-12.0% in 2020-22.

# Valuation

### Our valuation range is EUR 6.3-7.7 per share

Based on the assumption that the company can deliver revenue growth and an operating profit margin in line with our expectations, we derive a fair value range of EUR 6.3-7.7 per share. This is an equal-weighted range based on our three different valuation approaches (DCF, EV/EBITDA and P/E). The red lines in the following chart show this valuation range.

**VALUATION APPROACH (EUR)**




*Source: Nordea estimates*

Based on our DCF framework and WACC assumptions of 5.9-7.1%, we derive a fair value range of EUR 8.2-10.1. We calculate our P/E valuation of EUR 5.5-6.7 per share by multiplying our 2021 amortisation-adjusted EPS forecast of EUR 0.81 by the accepted valuation multiple range of 6.8-8.3x, with a midpoint of 7.5x. This P/E valuation range represents our view and it has been derived through a comparison with the peer group. Similarly, we calculate our 2021E EV/EBITDA range of EUR 5.2-6.3 by multiplying our 2021E adjusted EBITDA forecast of EUR 19m by the valuation multiple range of 6.0-7.0x, which is derived from Relais' peer group. The mathematical midpoint of the 2020E EV/EBITDA range is 6.5x.

# Company overview

Relais Group is an importer and wholesaler of vehicle electronics equipment and spare parts in the Nordic and Baltic regions. The independent vehicle aftermarket is fragmented and thus offers good consolidation opportunities for Relais, which is seeking further strong growth via M&A. During 2010-19, Relais showed a sales CAGR of 17%, with average organic growth at around 7%. We believe there should be good demand for spare parts in Relais' core markets, as the average age of cars is rather high and older cars often require more services and spare parts than newer cars.

## Overview

Relais services the independent spare parts aftermarket

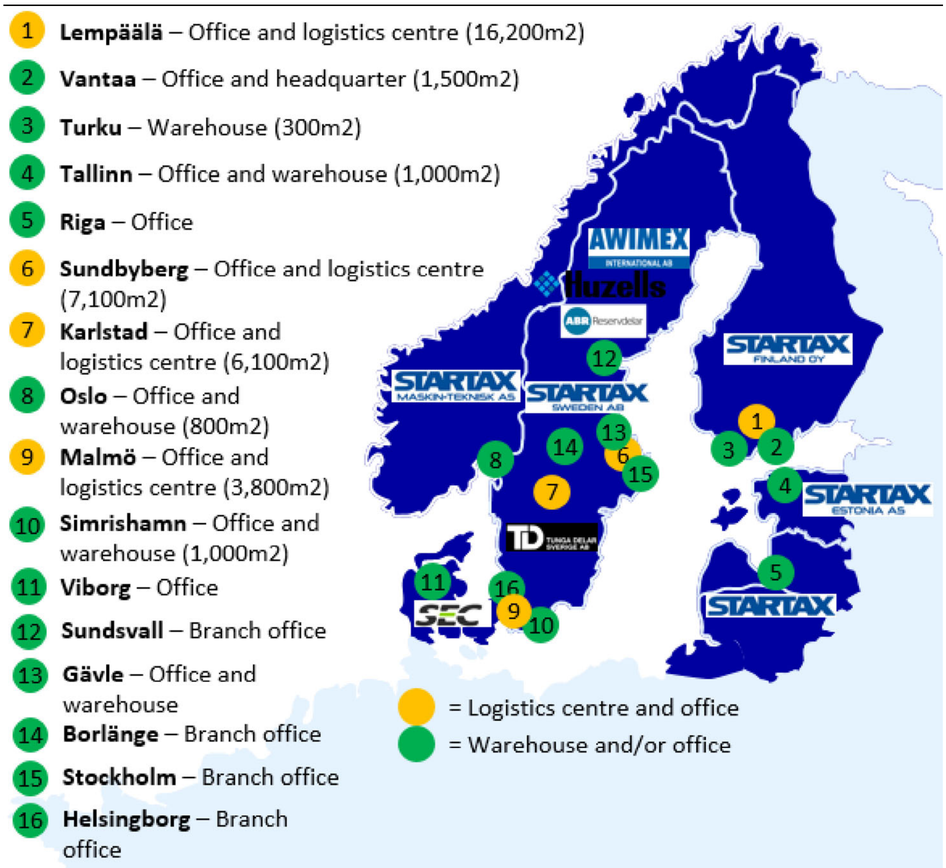
Relais Group operates via its six companies – Startax, ABR, Huzells, Awimex, Tunga Delar and SEC Scandinavia – which mostly serve independent spare parts and equipment resellers (eg local and regional wholesalers and retail chains). The company has around 7,000 business customers and only operates as a B2B wholesaler. It does not have any own stores or workshops for retail customers. Relais has around 150,000 SKUs (stock-keeping units) and it offers vehicle electrical equipment and spare parts for various types of vehicles, such as passenger vehicles, light commercial vehicles, trucks, buses, and agricultural, forestry and construction vehicles. The main product categories are vehicle electronics and lighting solutions.

The company had 39,100m$^2$ of logistics and warehouse space at the end of 2019

Logistics is an essential part of Relais' business and in order to provide clients with fast deliveries, the company manages its SKUs locally by servicing its clients from four logistics centres and five warehouses across the Nordics and the Baltics. Relais has leased all of its logistics and warehouse facilities, which, at the end of 2019, had a combined floor area of 39,100m$^2$. The company has its headquarters in Vantaa, Finland, with 15 other offices/warehouses across all key markets.

Relais serves its clients from its local logistics centres and warehouses, providing fast deliveries

**RELAIS' OFFICES**




*Source: Company data*

## Sourcing is handled in the group companies

Relais has hundreds of product suppliers, located mainly in Europe, North America and Asia. Own brands are mainly produced in China, Taiwan, South Korea. Currently, operating countries handle their sourcing independently (except Startax, whose sourcing is mainly centralised to Finland), although cooperation between countries prevails in negotiations. In the future, the company aims to centralise its supplier negotiations in order to achieve scale benefits and to simplify its supply chain after the recent acquisitions. The company is not dependent on any single supplier or customer, as the largest account for less than 10% of group net sales.

## Own brands strong in lighting solutions – higher margins

Relais has strong positions with its own brands, especially in lighting solutions. In addition to global brands, the company imports and wholesales its LED lights in different price categories. In spare parts, the offering is concentrated mainly to global brands, which are manufactured in the same factories as OEM parts. According to the company, the majority of the own brand sales are related to lighting solutions. We estimate that the company derives around 20% of group sales from own brands, which in general have higher margins. With its newly acquired businesses, we think the company aims to increase its own brand sales through cross-selling.

**RELAIS' OFFERING: SELECTED PRIVATE-LABEL AND GLOBAL BRANDS**


Relais showed a strong sales CAGR of 17% in 2010-19

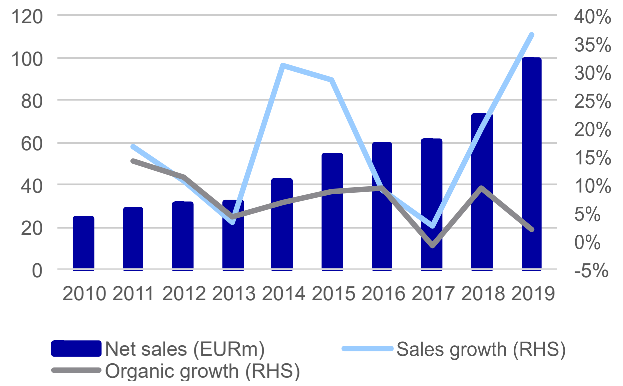
## Growth-driven strategy

Relais has had a strong focus on M&A and showed a revenue CAGR of 17% in 2010-19 with average organic growth of around 7%. Net sales in 2019 were EUR 99m with adjusted EBITA of EUR 13m, corresponding to an EBITA margin of 13.1%, which is a clear improvement from 11.6% in 2018. The improvement in the adjusted EBITA margin was attributable to the higher profitability of the acquired businesses and we also expect that the company achieved minor cost synergies. Relais expects to reach EUR 6-8m in top-line synergies from cross-selling in the medium term, starting from 2020. Full scale benefits from the ABR/Huzells acquisition should be visible in H2 2021.

Relais aims to be in the driver's seat as the consolidation of the vehicle electronics equipment and spare parts market continues. The company targets one to two acquisitions annually, and aims to double its net sales from the 2018 pro forma level of EUR 119m in the next five years.

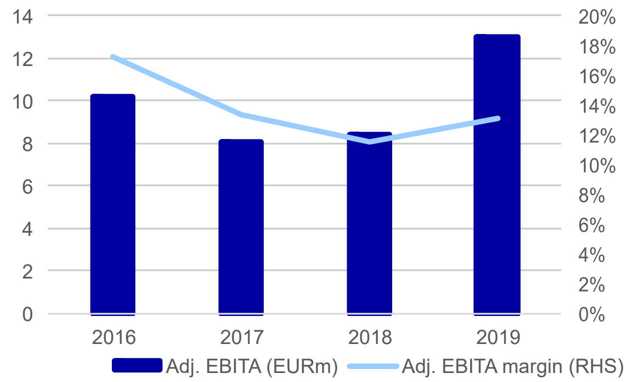
The company uses Finnish Accounting Standards (FAS), which has led to a large amount of booked amortisations from M&A. We hence believe it is relevant to look at EBITA when evaluating the company's operational profit. In the future, Relais will most likely be listed on the Nasdaq Helsinki main market, which would require it to adopt IFRS-based accounting. In this case, we believe it would be useful to track the company's EBIT.

**SALES (EURm) AND SALES GROWTH (%)**




*Source: Company data and Nordea estimates*

**ADJUSTED EBITA (EURm) AND EBITA MARGIN (%)**




*Source: Company data*

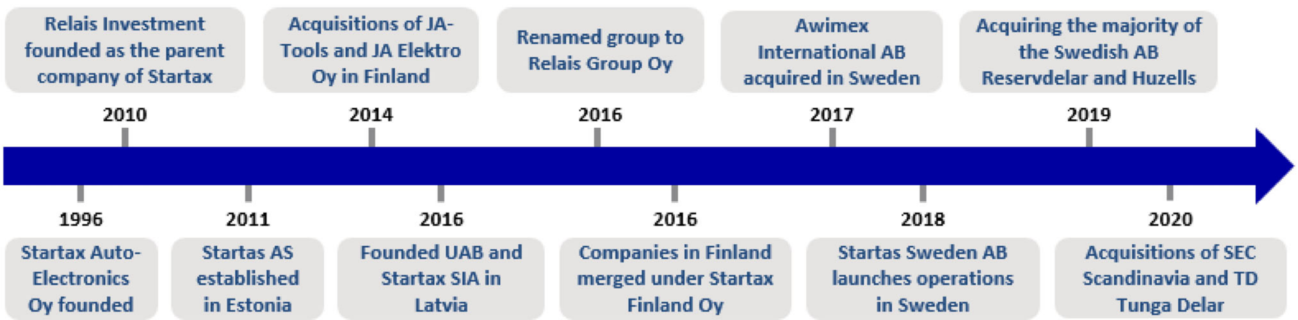
## History

M&A has been a central part of Relais' history

Relais dates back to 1996 when Startax Auto-Electronics Oy was founded. In 2010, Relais Investment Oy was founded as the parent company of Startax and in the same year, Relais opened a new logistics centre in Lempäälä, Finland. The international expansion of the group started in 2011 when Relais founded Startax AS in Estonia, and the company acquired the Finnish wholesalers JA-Tools and JA-Elektro Oy in 2014 in order to boost growth. In the same year, the group expanded to Norway by acquiring Maskin-Teknisk AS.

The company's name was changed to Relais Group in 2016 and in the same year the Finnish operations were consolidated under the Startax Finland name. In 2017, the group further expanded to Sweden, Lithuania and Latvia, and in 2019 the Swedish operations were strengthened significantly via the acquisitions of ABR and Huzells. The latest acquisitions have been carried out in 2020; the company has acquired SEC Scandinavia in Denmark and TD Tunga Delar in Sweden. SEC Scandinavia is the company's first real step towards gaining real traction in the Danish markets.

**HISTORY TIMELINE**




*Source: Company data*

## Management team

Relais' management team has experience of working in industry-leading multinational companies, on top of which Ville Mikkonen and Juan Garcia have decades of experience from the vehicle aftermarket in the Nordic and Baltic regions.

**MANAGEMENT TEAM**




| Arni Ekholm | Pekka Raatikainen | Ville Mikkonen | Juan Garcia |
|---|---|---|---|
| **Position** | **Position** | **Position** | **Position** |
| CEO | CFO | Managing director Finland | Managing director Sweden |
| **Selected experience** | **Selected experience** | **Selected experience** | **Selected experience** |
| Various leadership roles in e.g. Olympus and Gillette | CFO and financial manager roles e.g. Kemppi and Revenio | Various management positions at Startax since 2007 | CEO at ABR since 2011 CEO at Huzells since 2017 |
| **Held position since** | **Held position since** | **Held position since** | **Held position since** |
| 2015 | 2017 | 2019 | 2019 |
| **Shares and options** | **Shares and options** | **Shares and options** | **Shares and options** |
| 30,250 shares and 102,300 options | 5,000 shares and 55,100 options | 174,800 shares | 62,050 shares |

*Source: Company data*

## Board of directors

Relais has an experienced board of directors with broad experience from Finnish listed companies as well as global companies

The chairman, Kari Stadigh, has vast experience from the financial sector and was the Group CEO and President of Sampo Group from 2009 until retiring from this position at the end of 2019. He also holds board positions in Nokia and Metso and has previously served on the boards of Nordea Bank (chairman), Mandatum Life (chairman), Alma Media (chairman) and Aspo (chairman), among others.

Olli-Pekka Kallasvuo acts as an investor and board professional. During 1982-2010, he held various leadership positions in Nokia, including CFO and Group CEO and President (2006-10).

Jesper Otterbeck started his career in management consulting at McKinsey & Company. He has also worked at Volvo Car Corporation and participated in founding AutoScout24, where he acted as one of the leaders. Jesper is currently chairman of Springlake Invest AB.

Katri Nygård has served in many positions in international tax and legal services. She has worked at Roschier (2004-06), KPMG Finland (2006-10), KPMG New York (2008-09) and E&Y (2010-13).

**BOARD OF DIRECTORS**

| Position | Name | Year of birth | Education | Independent of the company | Independent of major shareholders |
|---|---|---|---|---|---|
| Chairman | Kari Stadigh | 1955 | M.Sc. (Eng. and Econ.) | Yes | Yes |
| Member | Olli-Pekka Kallasvuo | 1953 | LL.M. | Yes | Yes |
| Member | Jesper Otterbeck | 1966 | M.Sc. (Eng.) | Yes | No |
| Member | Katri Nygård | 1976 | M.Sc. (Econ.), LL.M. | No | No |

*Source: Company data*

Mr Salmivuori owns in total 41.9% of Relais Group shares

## Shareholder structure

Relais Group's two largest shareholders are Ari Salmivuori and Nordic Industry Development (NID). Mr Salmivuori is also owner of Ajanta Oy. Mr Salmivuori (including Ajanta Oj) controls 41.9% of the shares and votes in Relais Group. NID came in as a major owner of the company when Relais acquired ABR/Huzells. Mr Salmivuori (including Ajanta Oy) and NID combined control 66% of the outstanding shares. The top ten shareholders represent 81.9% of the total shares.

Top ten shareholders hold ~82% of all shares

**RELAIS GROUP: LARGEST SHAREHOLDERS, AS OF 29 FEBRUARY 2020**

| No. | Shareholders | No. of shares | % of shares |
|---|---|---|---|
| 1 | Salmivuori Ari Mika Petteri | 6,328,800 | 39.0% |
| 2 | Nordic Industry Development AB | 4,375,350 | 27.0% |
| 3 | Suomen Teollisuussijoitus Oy | 462,949 | 2.9% |
| 4 | Ajanta Oy | 453,200 | 2.8% |
| 5 | Ilmarinen Mutual Pension Insurance Company | 440,463 | 2.7% |
| 6 | Elo Mutual Pension Insurance Company | 396,813 | 2.4% |
| 7 | Stadigh Kari Henrik | 292,200 | 1.8% |
| 8 | Veritas Pension Insurance Company Ltd. | 195,761 | 1.2% |
| 9 | Mikkonen Ville | 174,800 | 1.1% |
| 10 | Rausanne Oy | 165,972 | 1.0% |
| 11 | Evli Finland Select Fund | 137,033 | 0.8% |
| 12 | Säästöpankki Pienyhtiöt | 132,271 | 0.8% |
| 13 | Oma Säästöpankki Oy | 132,140 | 0.8% |
| 14 | Pietarinen Lauri Markus Antero | 110,000 | 0.7% |
| 15 | Ingman Finance Oy Ab | 100,000 | 0.6% |
| 16 | Laakkonen Mikko Kalervo | 97,881 | 0.6% |
| 17 | Hyrkkönen Harri Kalevi | 90,800 | 0.6% |
| 18 | JG Management AB | 62,050 | 0.4% |
| 19 | Mäkinen Esa | 60,800 | 0.4% |
| 20 | H. Savolainen Oy | 58,728 | 0.4% |
| | **Total 20 shares** | **14,268,011** | **88.0%** |
| | Nominee registered | 70,986 | 0.44% |
| | **Total shares** | **16,213,800** | **100.0%** |

*Source: Company data*

The two largest owners have three committed share options between each other

## Options between the two largest shareholders

NID has two sell options to Mr Salmivuori and/or Ajanta Oy, while Mr Salmivuori and/or Ajanta Oy have one buy option from NID.

NID's first sell option enables it to sell up to 3.05 million shares to Mr Salmivuori and/or Ajanta Oy if Relais has not started the process to move to the main list of the Helsinki Stock Exchange by the end of May 2023 or if the company has started the process but has not finished the process by the end of December 2023.

Mr Salmivuori's and/or Ajanta Oy's buy option enables him/the company to buy 1.33 million shares in two instalments from NID. The first due date is by the end of July 2021, when Mr Salmivuori and/or Ajanta Oy can buy 0.44 million shares from NID. The second due date is by the end of July 2022, when Mr Salmivuori and/or Ajanta Oy can buy 0.89 million shares from NID. If Mr Salmivuori and/or Ajanta Oy were to acquire all the shares available through the buy option, we calculate that the combined shareholding would exceed 50% in the Relais Group.

In addition, NID's second sell option enables it to sell 1.77 million shares to Mr Salmivuori and/or Ajanta Oy. However, the amount will be reduced by the number of shares that Mr Salmivuori and/or Ajanta Oy have acquired through the first sell option or buy option, up to 3.05 million shares. There are two possible, equal-sized instalments; the first due date is two months after the company has delivered audited financial statements from financial year 2020, while the second due date is similarly after the financial year 2021.

# Strategy – leading Nordic and Baltic player

Relais aims to become the leading player in the Nordic and Baltic vehicle parts aftermarket by providing both top international brands and own private label products, as well as great service. The strategy includes rapid growth via M&A, as well as by acquiring new clients and cross-selling products via existing and acquired businesses.

**Growth-driven strategy**

The strategy of Relais is to be the leading company within the vehicle lifecycle enhancement business in the Nordics and the Baltics. The company targets clients in the independent aftermarket, which we believe has relatively stable demand, and hence provides earnings stability. A key focus area is to consolidate the fragmented Nordic vehicle parts aftermarket. Below are the cornerstones of Relais' strategy.

**1. Organic growth**

Relais aims to outgrow the market by expanding into new product categories as well as from cross-selling between its existing and acquired businesses. On top of this, the company targets additional sales by acquiring new clients.

**2. Growth via M&A**

Relais targets accelerating growth via acquisitions and to be a consolidator in the Nordic and Baltic vehicle aftermarket sector. The company is actively looking at potential target companies, mainly wholesalers, and equipment and service providers. The company aims to acquire 1-2 companies per year during its five-year strategy period.

**3. Profitability improvement**

Relais aims to create value for its customers via superior customer experience, a good digital platform and a wide product range. The company intends to capitalise on the growing passenger- and commercial vehicle market in the Nordics and the Baltics.

**Financial targets**

The company intends to double its net sales in the next five years by outgrowing the market organically and via M&A. The strategy implies net sales of around EUR 240m by 2024 (up from pro forma sales of EUR 119m in 2018), and to reach the target, sales CAGR needs to be 13% in 2018-24 (pro forma).

**Dividend policy**

Relais targets a dividend payout of more than 30% of its comparable net profit, excluding amortisation of goodwill (the company uses the Finnish Accounting Standards, FAS).

**Guidance for 2020**

The company withdrew its earlier guidance for 2020 at the end of March and refrained from issuing new guidance due to low visibility. Previously, the it expected 2020 net sales and EBITA to grow clearly y/y. Typically, the profit has been higher in H2 than in H1.

# M&A scenario

The strategy of Relais focuses on high growth via M&A; the company targets 1-2 acquisitions per year. Due to the uncertainty regarding timing, deal size and deal valuation, we have not included M&A in our estimates. We have, however, compiled an M&A scenario in which we simulate how much Relais could potentially grow sales and EBITA via M&A without raising additional equity capital or exceeding its current covenants. The company has indicated that it has a good pipeline of potential bolt-on acquisitions, in addition to the acquisitions in the recent months. With successful M&A execution, we believe Relais could reach net sales of around EUR 176m by 2022, while keeping its net gearing around 70%.

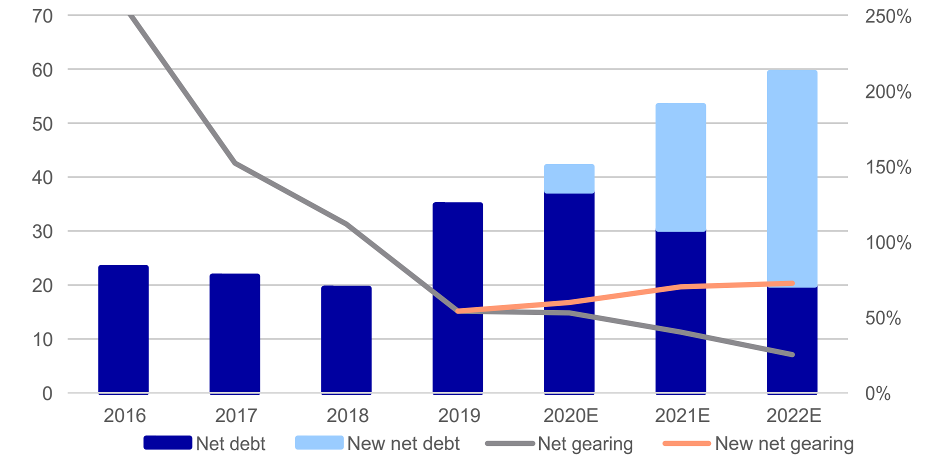
### Additional debt of EUR 45m in 2020-22 for M&A

The EUR 20m raised in the IPO strengthened Relais' balance sheet substantially

After taking in EUR 20m in equity in the recent IPO, Relais has a strong balance sheet with a net gearing of 54% and cash of EUR 30m at the end of 2019. We believe the company could raise additional debt of EUR 45m in 2020-22 (EUR 5m in 2020 and EUR 20m in 2021-22) for M&A, while keeping its net gearing below 75%. Without new debt or acquisitions, we estimate Relais to be able to deleverage its balance sheet to a net gearing of ~25% by 2022.

By raising additional EUR 45m debt for M&A, Relais would raise its net gearing to around 70% in 2020-22

NET DEBT (EURm) AND NET GEARING (%) INCLUDING POTENTIAL M&A



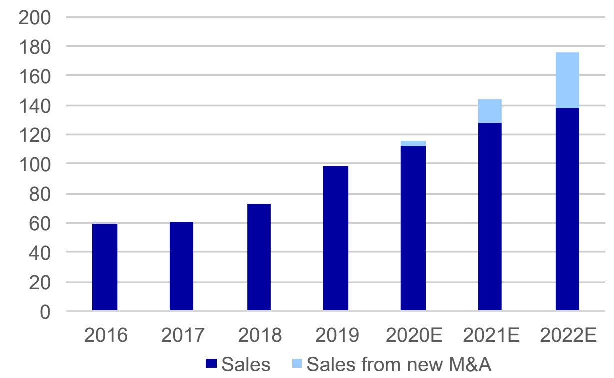

*Source: Company data and Nordea estimates*

### With successful M&A net sales could reach EUR 176m by 2022

Relais could increase net sales by around EUR 39m by 2022 through acquisitions without stretching its balance sheet too much

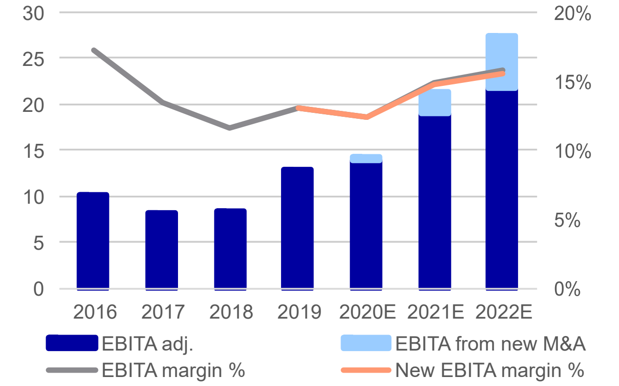
Assuming deal EV/EBITA multiples of 8x, M&A could increase the company's EBITA by EUR ~5m in 2022. We assume the acquired companies have an EBITA margin of 12%, implying Relais could gain additional sales of EUR 39m by 2022 based on our M&A assumptions. We estimate that Relais could realise cost synergies of EUR ~1m in 2022, assuming synergies of 4% of the acquired companies' sales spread over two years (2% in year one and 2% in year two). Our estimate does not include any costs related to the acquisitions, such as advisory fees or restructuring costs. We assume that M&A actions would be equally divided over the year, ie we model the acquisition happening in the middle of the year.

**M&A SCENARIO SALES ESTIMATES (EURm)**




*Source: Company data and Nordea estimates*

**M&A SCENARIO ESTIMATED EBITDA (EURm) AND MARGIN (%)**




*Source: Company data and Nordea estimates*

In our illustrative assumptions, acquisitions are financed with debt. We assume 50% of the deal value to be goodwill, which is amortised within ten years. The depreciation level is set to 0.5% of net sales and we use 3% interest rate and 21% tax rate assumptions.

**ILLUSTRATIVE M&A SCENARIO**

| **Current estimates, EURm** | **2016** | **2017** | **2018** | **2019** | **2020E** | **2021E** | **2022E** |
|---|---|---|---|---|---|---|---|
| Sales | 59 | 60 | 72 | 99 | 113 | 128 | 137 |
| EBITA adj. | 10.2 | 8.1 | 8.4 | 13.0 | 13.9 | 19.0 | 21.7 |
| -margin % | 17.3% | 13.4% | 11.6% | 13.1% | 12.4% | 14.8% | 15.8% |
| | | | | | | | |
| Cash | 0.8 | 1.5 | 2.3 | 29.6 | 21.9 | 24.1 | 29.5 |
| Equity | 9.0 | 14.2 | 17.2 | 63.7 | 70.5 | 74.9 | 80.6 |
| Net debt | 23.3 | 21.6 | 19.2 | 34.7 | 37.3 | 30.1 | 19.8 |
| Net gearing | 257% | 152% | 112% | 54% | 53% | 40% | 25% |
| | | | | | | | |
| Deal(s) size | | | | | 5 | 20 | 20 |
| EV/EBITA assumption, x | | | | | 8x | 8x | 8x |
| EV/Sales assumption, x | | | | | 1.0x | 1.0x | 1.0x |
| | | | | | | | |
| | | | | | **2020E** | **2021E** | **2022E** |
| Cumulative sales increase from M&A | | | | | 2.6 | 15.9 | 38.6 |
| Cumulative EBITA increase from M&A | | | | | 0.3 | 1.9 | 4.7 |
| - margin % | | | | | 12% | 12% | 12% |
| Cumulative potential synergies | | | | | 0.1 | 0.4 | 1.0 |
| % of sales | | | | | 2% | 3% | 3% |
| Cash increase | | | | | 0.2 | 1.4 | 3.6 |
| | | | | | | | |
| **New estimates after additional M&A, EURm** | | | **2018** | **2019** | **2020E** | **2021E** | **2022E** |
| Sales, EURm | | | 72 | 99 | 115 | 144 | 176 |
| EBITA, EURm | | | 8.4 | 13.0 | 14.3 | 21.4 | 27.4 |
| -margin % | | | 11.6% | 13.1% | 12.4% | 14.8% | 15.6% |
| | | | | | | | |
| Cash | 0.8 | 1.5 | 2.3 | 29.6 | 22.1 | 25.8 | 34.7 |
| Equity | 9.0 | 14.2 | 17.2 | 63.7 | 70.7 | 75.8 | 82.8 |
| Net debt | 23.3 | 21.6 | 19.2 | 34.7 | 42.0 | 53.4 | 59.5 |
| Net gearing | 257% | 152% | 112% | 54% | 59% | 70% | 72% |
| EBITDA adj. | 10.6 | 8.3 | 8.7 | 13.3 | 14.7 | 21.8 | 28.1 |
| ND/EBITDA | 2.2x | 2.6x | 2.2x | 2.6x | 2.9x | 2.4x | 2.1x |

*Source: Company data and Nordea estimates*

# Market overview

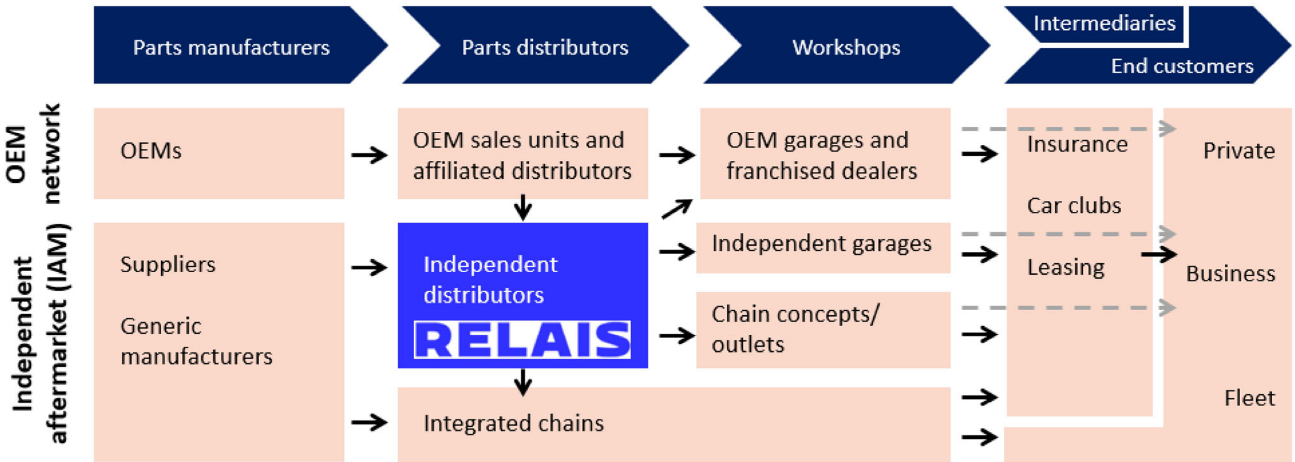
Relais operates in seven countries across the Nordics and the Baltics. In 2018 , Finland was largest market area with 75% of net sales (EUR 54.7m), followed by Sweden (12%) and other countries (13%). However, Relais acquired ABR/Huzells in 2019, boosting pro forma 2018 net sales to EUR 119m, with a pro forma sales split of 46% in Finland, 46% in Sweden and 8% in other countries. Relais is a specialised national wholesaler of automotive spare parts and equipment in the independent aftermarket, and it is independent from workshop chains.

**Background**

The aftermarket for vehicle spare parts and equipment can be divided into two categories: the original equipment (OE) aftermarket and the independent aftermarket. Original spare parts and equipment are supplied via an original equipment manufacturer (OEM) through OEM market channels, typically using the vehicle manufacturer's own brand. The independent aftermarket, where Relais operates, consists of independent importers and wholesalers that operate independently from vehicle manufacturers, while spare part and equipment manufacturers are often same on both categories. Independent aftermarket distribution is handled either directly or through local resellers to workshop chains, parts outlets and independent garages. According to the company, the vehicle spare parts and equipment market is divided fairly evenly between the OEM and the independent aftermarket.

There are more than 18 million vehicles in traffic in Relais' target markets (the Nordics and the Baltics). The target markets' car parcs are characterised by old cars that tend to require more aftermarket parts than new cars. In addition, the increasing share of electrical parts can be seen as positive for Relais, as it is specialised in electrical parts and equipment.

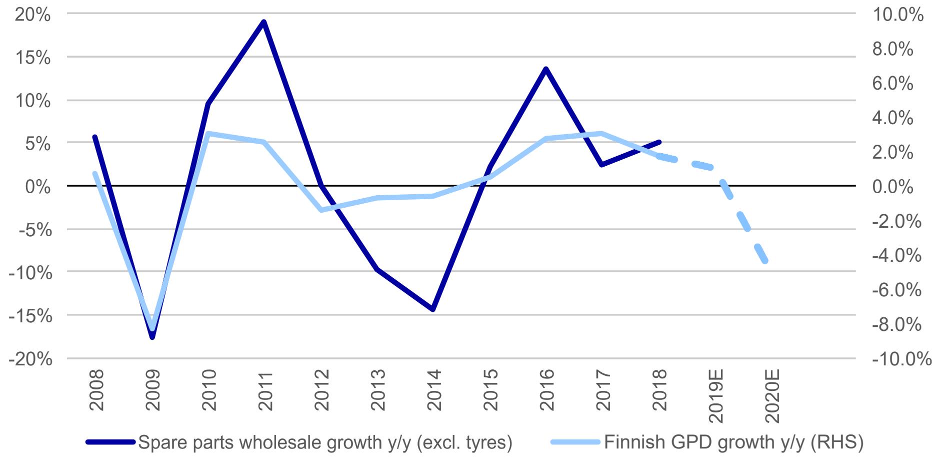
**CAR PARTS VALUE CHAIN**




*Source: Company data and Nordea*

## Finland

**FINNISH SPARE PARTS WHOLESALE GROWTH AND GDP (%)**



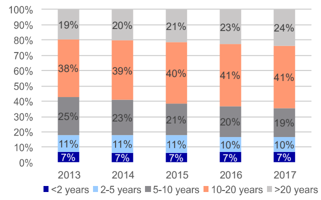

*Source: Company data and Nordea estimates*

### Finland has the oldest cars in the Nordics

The Finnish car market is characterised by the oldest car parc in the Nordics. Older cars usually use more aftermarket spare parts than OEM parts, which therefore creates a good base for independent aftermarket players. However, during economic downturns, people tend to postpone or substitute their durable investments with less expensive alternatives, which is visible in new car sales, and also in the sales of spare parts and equipment. We note that the independent aftermarket is most likely less vulnerable to economic downturns as it can be seen as a substitute for OE. According to Statistics Finland, wholesalers' net sales of spare parts excluding tyres were EUR 1.3bn in 2018. The sales CAGR in 2007-18 was 0.8%, while annual market growth in 2015-18 was 6% on average.

Nordea's latest base scenario for Finnish 2020 GDP growth is -5%; GDP growth was 1.7% in 2018 and 1.0% in 2019. We however note that due to the current COVID-19 situation and restrictions, GDP forecasts will very likely be revised in either direction when the situation evolves. However, regardless of the final outcome, it is fair to assume that the spare parts market will decline in 2020.

**FINNISH PASSENGER CAR PARC'S AGE SPLIT**



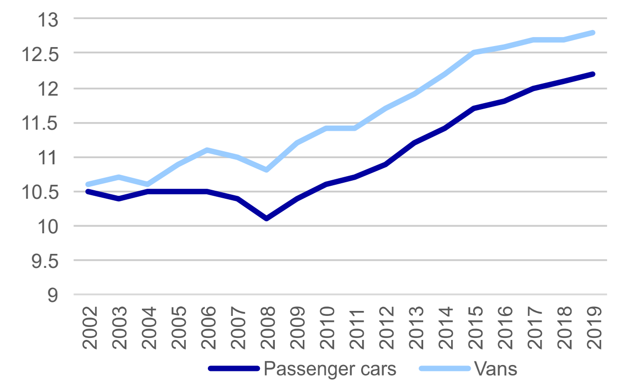

*Source: Eurostat*

### Finnish light-duty car parc

The average age of the Finnish light-duty car parc has increased by almost two years to ~12 years since 2008. Part of this increase is due to the high number of imported used passenger car. The average age of imported passenger cars has been declining, indicating that buyers often consider imported cars an alternative to new cars. As used cars are purchased instead of new cars, the average age of the car parc is not decreasing very fast. Part of the increase in the number of imported cars is due to recent weakness of SEK/EUR, which makes importing more compelling for both used car retailers and private buyers. The total number of imported used cars was ~48,000 (passenger cars and vans) in 2019, which was around 40% of the light-duty car registrations in Finland in 2019 (~114,000 passenger cars and ~15,000 vans).

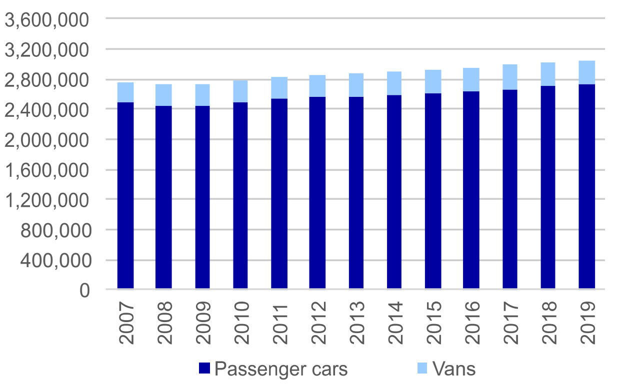
We note that the high number of cars older than five years creates a solid base for independent parts wholesalers, as these cars are more often serviced outside of OEM workshops. According to Eurostat, only 17 % of Finnish passenger cars in traffic were younger than five years old in 2017. Moreover, the share of cars older than ten years increased from 57% in 2013 to 65% in 2017.

**FINNISH LIGHT-DUTY CAR PARC'S AVERAGE AGE (YEARS)**




*Source: Finnish Transport and Communications Agency*

**FINNISH LIGHT-DUTY CAR PARC (UNITS)**

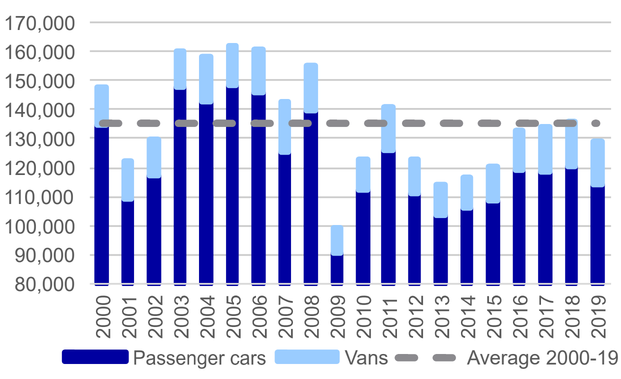



*Source: Finnish Transport and communications Agency*

Registrations of new passenger cars have averaged ~122,000 in the past 19 years, and they have still not reached the levels prior to the financial crisis. New van registrations have been more stable, with an average of around 13,000 vans annually. In 2019, around 15,000 vans were registered. Despite the slowdown in new car registrations, Finland's light-duty car parc has increased on average by ~1% per year since 2007.

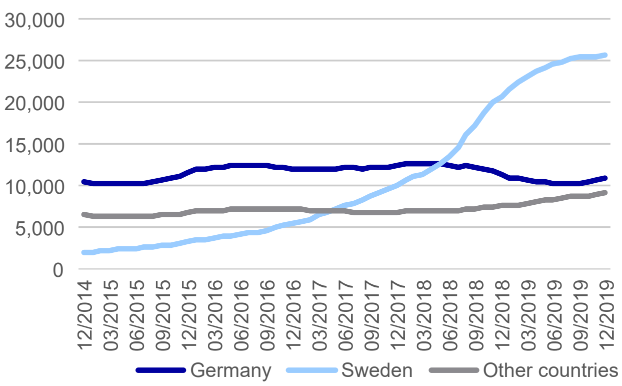
The total kilometres driven with vehicles in Finland has remained stable for the past three years, amounting to 50.4 billion kilometres in 2018, according to Statistics Finland. Most of the driven kilometres are by passenger cars (81%), followed by vans (11%), trucks (7%) and buses (1%).

**NEW LIGHT-DUTY CAR REGISTRATIONS IN FINLAND (UNITS)**




*Source: Finnish Transport and Communications Agency*

**CARS IMPORTED TO FINLAND (LTM, UNITS)**

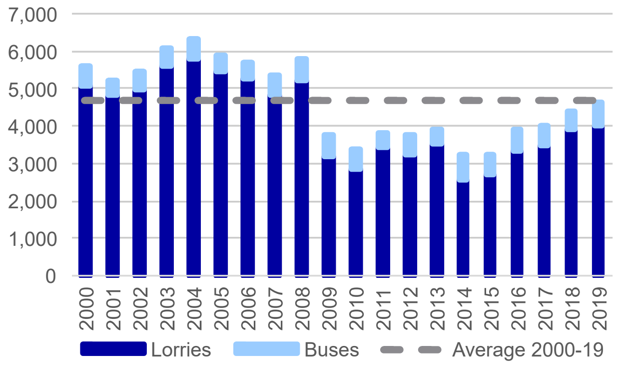



*Source: Finnish Transport and Communications Agency*

## Finnish heavy-duty car parc

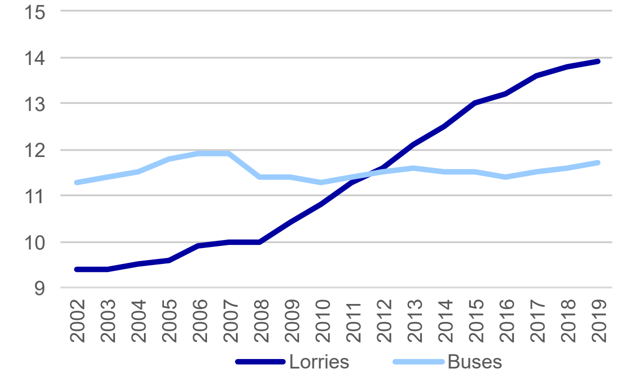
The heavy-duty car parc in Finland showed a 0.3% CAGR in 2007-19; the number of buses on the Finnish roads increased at a 1% CAGR in 2007-19, while the number of lorries had a 0.2% CAGR in the period (source: Finnish Transport and Communications Agency). New registrations of heavy-duty vehicles follow the same pattern as light-duty registrations. The number of new lorries has not been sufficient to maintain the average age of the lorry parc. New registrations of buses have remained more stable, which is visible in the average age of the bus parc.

NEW HEAVY-DUTY CAR REGISTRATIONS IN FINLAND (UNITS)




*Source: Finnish Transport and Communications Agency*

FINNISH HEAVY-DUTY CAR PARC AVERAGE AGE (YEARS)

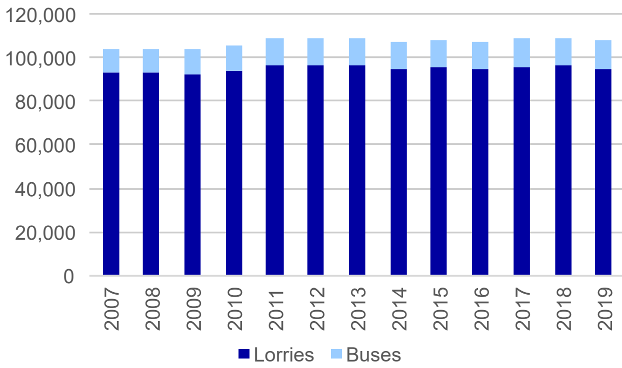



*Source: Finnish Transport and Communications Agency*

GOODS TRANSPORTED BY ROAD IN FINLAND (THOUSAND TONNES)


*Source: Eurostat*

FINNISH HEAVY-DUTY CAR PARC (UNITS)




*Source: Finnish Transport and Communication Agency*

## Competition in the Finnish spare part market

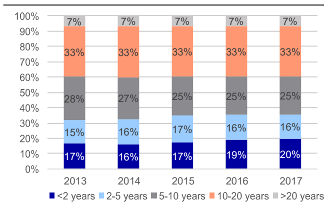
The Finnish spare parts market is divided into wholesalers and retailers. They are somewhat hard to differentiate from each other as most of the larger companies in the segment are involved in both wholesale and retail. In addition, the market includes companies that sell spare parts even though they are more general retailers than vehicle retailers. According to Statistics Finland, the number of spare parts and equipment wholesalers (excluding tyre-sellers) decreased at a 2% CAGR in 2013-18, while the number of employees in the sector has remained fairly stable, indicating market consolidation. The average revenue of parts and equipment wholesalers grew at a 4.5% CAGR (excluding tyres sales) in 2013-18.

The main competitors in the Finnish market are vertically integrated (ie they have wholesale and retail channels, and workshops). **Broman Group** is the largest by net sales, operating the Motonet and AD Varaosamaailma outlets. In addition, Broman Group owns a majority stake of AD FIN Oy, which is the administrative company for affiliated AD workshops. **Koivunen** handles wholesale and imports of parts and equipment, while **Fixus** group, comprising 170 retailers and 220 workshops, comprises retail sales, and repairs and maintenance of cars. **Atoy** runs wholesale and repair workshops. The company operates its own workshops under the Atoy brand, while affiliated workshops operate under the Autofit and Dieselfit brands. In addition, the company includes parts retailer affiliate Osaset. **Örum** is part of the Finnish Mercantile group and its core business is to serve garages and wholesalers with parts, services and concepts. Örum is also engaged in safety products, services and concepts, and garage equipment services. **Motoral** is a wholesaler for a variety of automotive parts and general products, chemicals and lubricants, tools, and beverage vending machines, which it distributes through independent companies. The Nordics largest workshop chain, **Mekonomen,** only has minor operations in Finland, operating 11 branches and 23 affiliated workshops. **Relais** has specialised in electrical equipment and spare parts. It is a pure-play import and wholesale organisation with no affiliated retailers or workshops. The company supplies spare parts, electrical equipment and mounting accessories to car parts dealers, car importers and the automotive industry.

**RELAIS AND ITS MAIN COMPETITORS IN FINLAND**


*Source: Company pictures and Nordea*

**SWEDISH PASSENGER CAR PARC'S AGE SPLIT**




*Source: Eurostat*

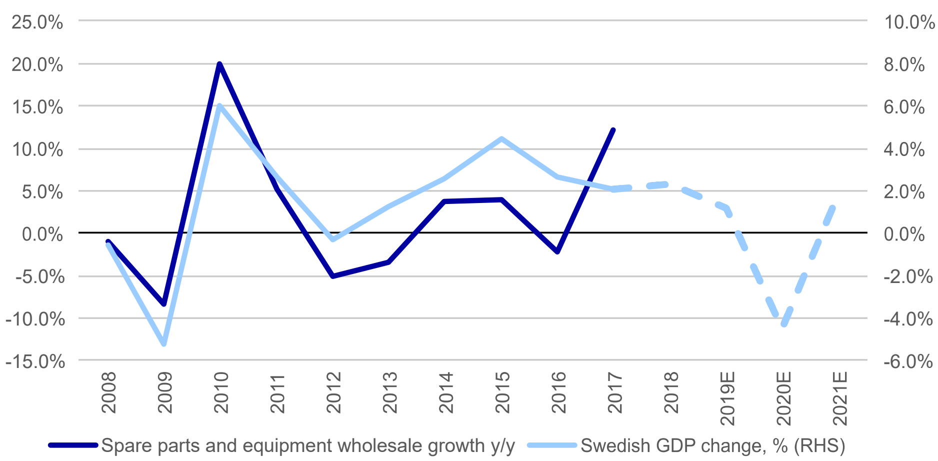
## Sweden

According to European Automobile Manufacturers Association (ACEA), the average age of passenger cars in Sweden is around ten years. Compared to Finland, Sweden has a younger car parc, partly due to different car taxation. According to Eurostat, in 2017, around 20% of Swedish passenger cars were less than two years old, whereas in Finland only 7% of passenger cars were as new.

Nordea's latest scenarios for Swedish GDP growth in 2020 varies between -2% and -8%, while the moderate scenario implies -4.5% GDP growth in 2020, followed by +2% in 2021. We, however, note that due to the current COVID-19 situation and restrictions, GDP forecast are very likely to be revised in either direction as the situation evolves. However, regardless of the final outcome, it is fair to assume that the spare parts market will decline in 2020.

According to Statistics Sweden, net sales of vehicle spare parts and equipment wholesalers were SEK 31bn in 2017. Net sales increased at a 2.2% CAGR in 2007-17, although sales growth has been more volatile than GDP growth.

**SPARE PARTS AND EQUIPMENT WHOLESALE CHANGE AND GDP GROWTH IN SWEDEN (%)**




*Source: Statistics Sweden and Nordea estimates*

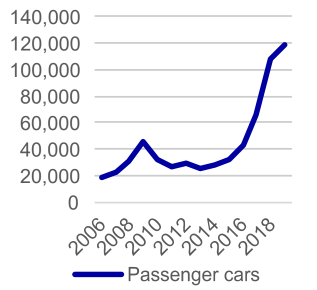
## Swedish light-duty car parc

In Sweden, privately leased cars have gained far more popularity than in Finland, and have in part supported new passenger car registrations. According to Trafik Analys, the number of privately leased passenger cars increased by a 39% CAGR in 2009-18, while company-leased passenger cars increased by a 4% CAGR in the same period. Leased passenger cars totalled almost 500,000 in 2018, which equals around 10% of all passenger cars in traffic. However, leased cars are not optimal for independent wholesalers as they are serviced in OEM garages.

New passenger car registrations were slightly dented in 2018-19 due to implementation of Worldwide Harmonised Light Vehicles Test Procedure (WLTP), which caused some delays in car deliveries across Europe. However, in 2006-19, new passenger car registrations in Sweden increased by a ~1% CAGR (source: Trafik Analys).

Swedish exports of used passenger cars have skyrocketed alongside the weakening SEK and the increasing share of leased cars. According to Trafik Analys, the average export volume of used passenger cars was ~30,000 cars in 2009-16, increasing to about 119,000 cars in 2019.

**EXPORT OF USED PASSENGER CARS FROM SWEDEN (UNITS)**

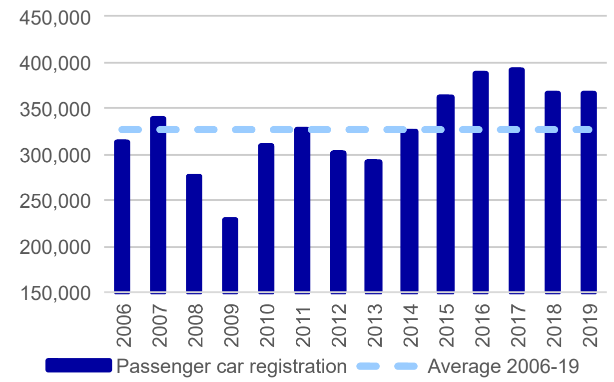



*Source: Trafik Analys*

## Heavy-duty car parc

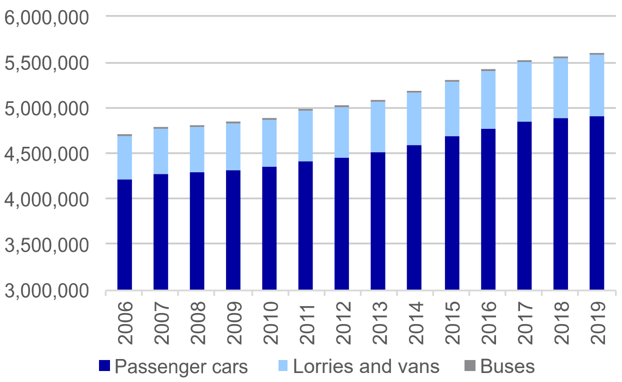
According to Trafik Analys, the Swedish heavy-duty car parc (including vans) increased by a 2.2% CAGR in 2006-19, although the majority of the growth is attributable to vans; new registrations of vans increased on average by 2.3% per year in the period, while lorry registrations were up on average by 1.2%.

**NEW PASSENGER CAR REGISTRATIONS IN SWEDEN (UNITS)**




*Source: Transport analysis*

**SWEDISH CAR PARC (UNITS)**




*Source: Transport analysis*

## Competition in the Swedish spare parts market

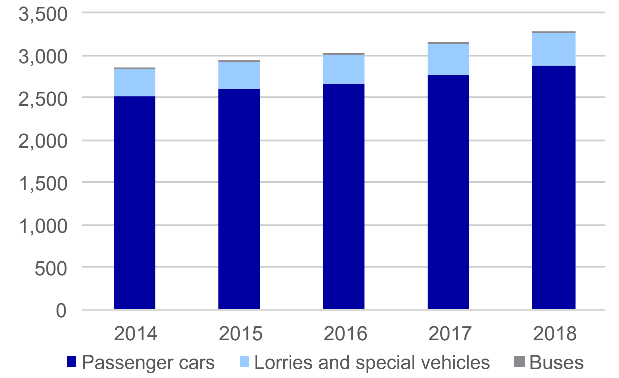
The Swedish car parts and equipment wholesale market has similarities with the Finnish market as operators are often vertically integrated. According to Statistics Sweden, there were approximately 1,000 car parts and equipment wholesale companies in Sweden in 2017 . The largest companies in Sweden by net sales in 2018 were Mekonomen (including MECA), with SEK 2.8bn in net sales, and KG Knutsson (KGK) with net sales of SEK 1.6bn. As a combined entity, ABR and Huzells had 2018 net sales of SEK 482m, indicating a market share of around 1.5% in Sweden. However, as in Finland, the total market also includes retail sales figures, which disrupts comparability.

**KGK** is a parts and equipment wholesaler with more than half a million articles in its catalogue. The company has its own sales channel in the retail and car workshop chain Autoexperten. In addition to light-duty vehicles, KGK has exposure to heavy-duty vehicles and to the marine, construction and industry sectors. According to **Mekonomen,** it has a 15% market share in Sweden in spare parts sales to workshops and it operates through the Mekonomen and MECA brands. **Europart** operates mainly in the heavy-duty classes and has 15 sales locations in Sweden. Net sales were SEK 333m in Sweden in 2018. **Atoy** operates in Sweden through the BDS and Bil-service concepts and had 2018 net sales of SEK 313m in Sweden.

## The Baltics

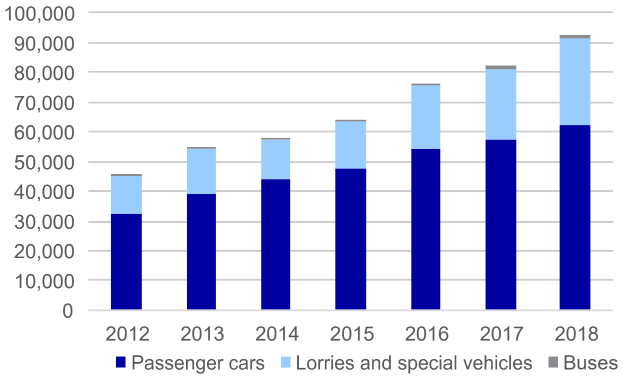
According to local statistics centres, the car parc in the Baltics increased by a CAGR of 3.6% in 2014-18; the passenger car parc increased by a CAGR of 3.5%, the lorry parc by 5% and the bus parc by 1.1%. The Baltics have an older car base than the Nordics. In 2016, the average age of passenger cars in Estonia, Latvia and Lithuania was 14.6 years, 16 years and 16.9 years, respectively (Source: European Automobile Manufacturers Association). Imported used cars play a central role in the Baltics' car market as they represent a major share of first registrations. Total new car registrations increased by a CAGR of ~12% in 2014-18.

**BALTICS CAR PARC (THOUSAND UNITS)**




*Source: Statistics Estonia, Statistics Latvia and Statistics Lithuania*

**NEW CAR REGISTRATIONS IN THE BALTICS (UNITS)**



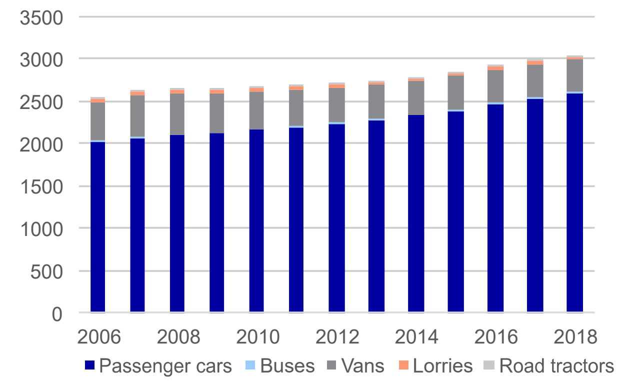

*Source: Statistics Estonia, Statistics Latvia and Statistics Lithuania*

## Denmark and Norway

According to Statistics Denmark, the car parc in Denmark increased by a CAGR of 1.5% in 2006-18; the passenger car parc increased by a CAGR of 2.1%, while the number of buses, vans and lorries decreased by a CAGR of 0.8%, 1.4% and 1.8%, respectively, in 2006-18. The average age of all vehicles increased in the period, although the average age of passenger cars has decreased since 2010.

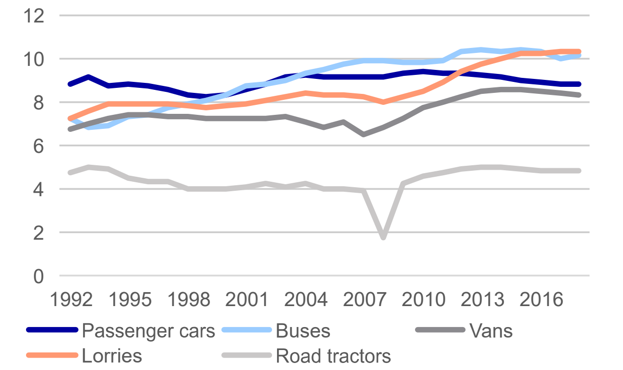
According to Statistics Norway, the car parc in Norway increased by a CAGR of 2.3% in 2000-18; the passenger car parc increased by a CAGR of 2.2%, while the number of buses and lorries decreased by a CAGR of 4.6% and 0.3%, respectively, in 2000-18. The number of vans increased by a CAGR of 4.1% in 2000-18. The recent electrical car boom is clearly visible in the numbers of fully electrical cars and hybrids among Norwegian passenger cars, while the number of petrol-powered cars has decreased markedly in the past ten years.

**DANISH CAR PARC (THOUSAND UNITS)**



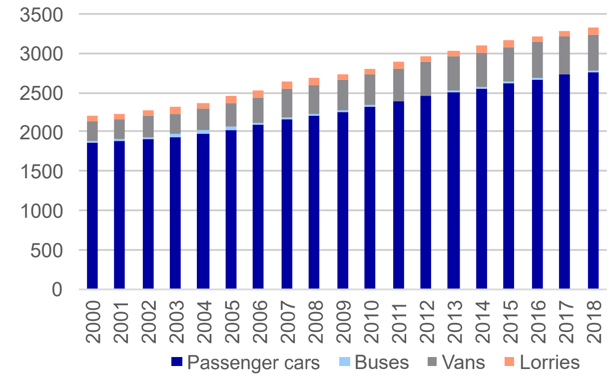

*Source: Statistics Denmark*

**AVERAGE AGE OF VEHICLES IN DENMARK (YEARS)**



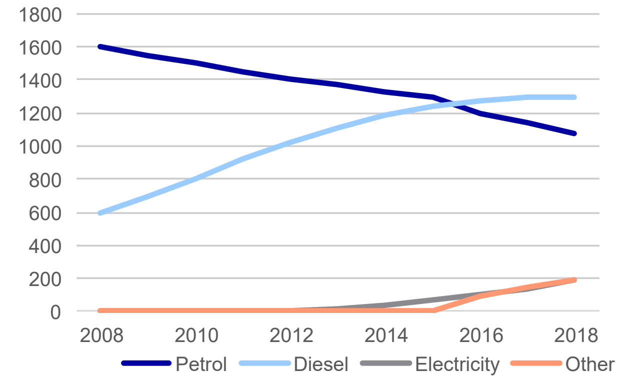

*Source: Statistics Denmark*

NORWEGIAN CAR PARC (THOUSAND UNITS)




*Source: Statistics Norway*

NORWEGIAN PASSENGER VEHICLES BY FUEL TYPE (THOUSAND UNITS)




*Source: Statistics Norway*

## Macro outlook

The current COVID-19 situation has dented the economic outlook around the world. Our latest scenarios indicate a clear GDP drop across the Nordics, while the magnitude of the drop is unclear. For Finland, the latest and likely scenario is that GDP contracts by around 5%. For Sweden, the moderate scenario points to -4.5% GDP growth in 2020 and +2% in 2021.

# Financials and estimates

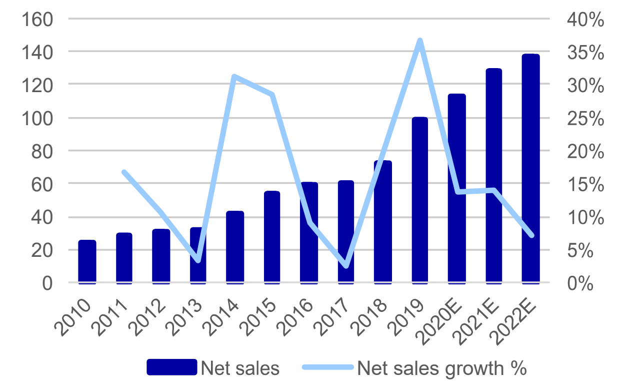
Relais showed a strong net sales CAGR of 17% in 2010-19 and we expect the company to continue on the path of solid growth in the coming years, as we forecast a net sales CAGR of 12% in 2019-22. Announced M&A will drive sales growth. Due to the current COVID-19 situation, we expect organic sales growth to decline in 2020, while M&A should keep overall growth positive. We expect organic sales growth to rebound clearly in 2021. For 2022, we forecast net sales of EUR 137m and an adjusted EBITA of EUR 22m, representing a ~16% EBITA margin.

Announced M&A will drive 12% sales CAGR in 2019-22E but on top of this we do not model in potential future M&A

### Strong M&A-driven growth

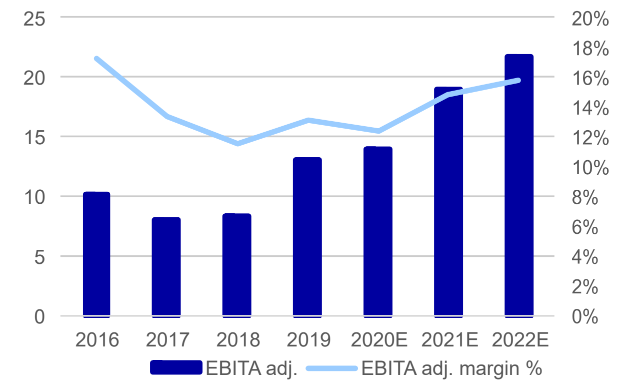
Relais has achieved strong M&A-driven sales growth in the past years and we expect this to be the case in the coming years as well, as the company aims to double net sales by 2024 (from pro forma EUR 119m in 2018). Due to the uncertainties related to M&A, we have not modelled in any acquisitions. The current COVID-19 situation will most likely impact Relais' sales. We expect -9% organic sales growth for 2020, +13% for 2021 and +7% for 2022; hence, we expect the recovery to be slow when taking the recent acquisitions into account. The company expects EUR 6-8m in annual sales synergies (visible in organic growth) from the recent ABR and Huzells acquisitions by 2021. The sales synergies are to be achieved from a more extensive offering and through cross-selling across business units. In addition, we expect small cost synergies from sourcing and administration in 2020E-22E, although these should not be material.

**NET SALES (EURm) AND NET SALES GROWTH (%)**




*Source: Company data and Nordea estimates*

**ADJUSTED EBITA (EURm) AND EBITA MARGIN (%)**

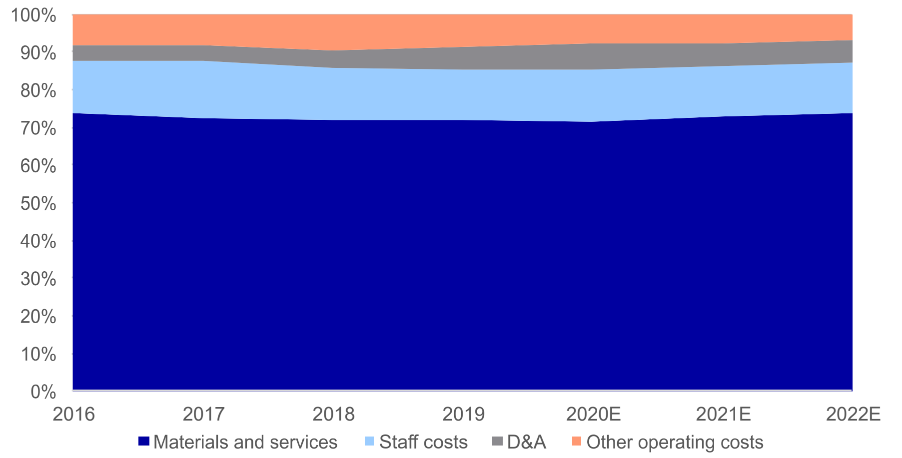



*Source: Company data and Nordea estimates*

### Cost structure

The majority of Relais' costs stem from personnel, which accounts for around 75% of the total costs. We expect the distribution of costs to remain fairly stable over the coming years, but we expect small decreases in the relative staff and other costs due to synergies from M&A. For the same reason, we expect the materials and services costs to take a marginally higher share.

COSTS AS A PERCENTAGE OF SALES

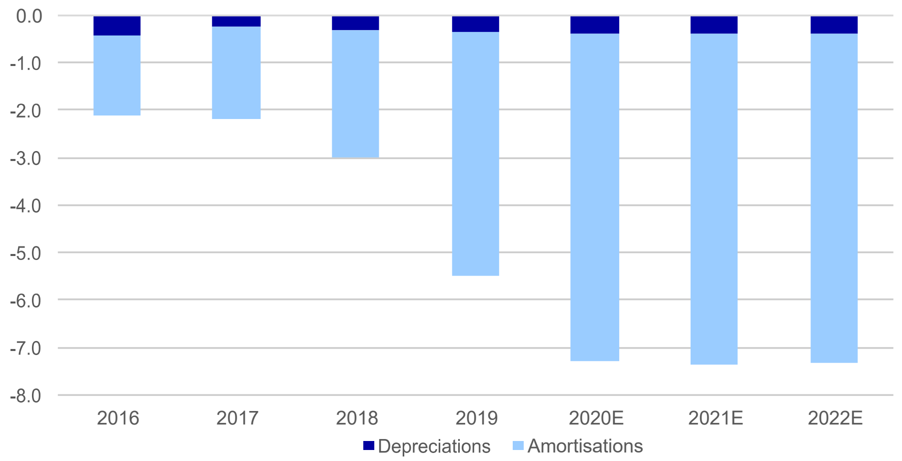



*Source: Company data and Nordea estimates*

## Amortisations high due to acquisitions

Relais currently reports under the Finnish Accounting Standards (FAS), which allows amortisation of goodwill. The company has used five-year amortisation periods for its acquisitions, although with the recent acquisitions of ABR and Huzells, the company will use ten-year amortisation. The goodwill arising from these acquisitions was EUR 52.4m. The amortisation of the JA-Tools and JA-Electro acquisitions should, based on five-year amortisation, have been completed in 2019. The latest acquisitions of SEC Scandinavia and TD Tunga Delar were for EUR ~14m. We estimate around EUR 10m goodwill from these acquisitions, which we expect to be amortised over ten years. We model in EUR ~7m in amortisations and EUR ~0.4m in depreciations annually for 2020E-22E.

DEPRECIATIONS AND AMORTISATIONS (EURm)




*Source: Company data and Nordea estimates*

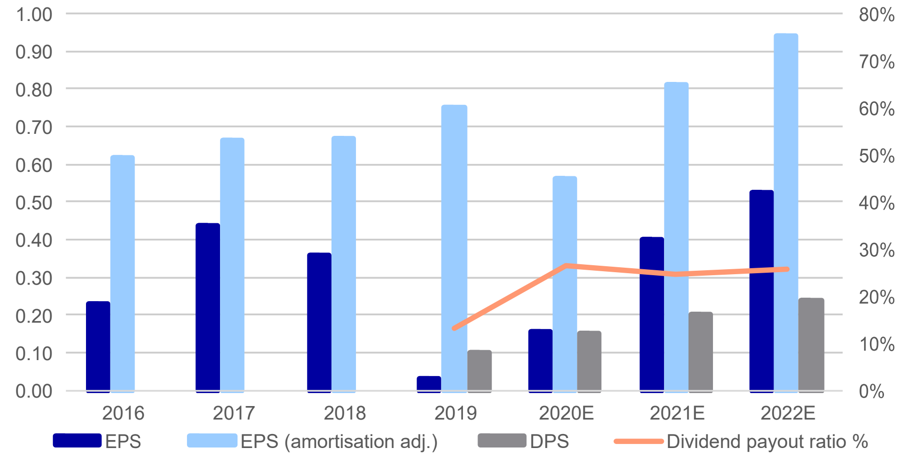
## Relais relies mainly on permanent staffing

According to Relais, its staff consists mostly of permanent employees, but it can also occasionally use temporary staffing (which we believe is slightly more expensive) if needed. In 2019, Relais had on average 214 employees, whereas the year-end number of employees was 258 (147 a year ago) due to the acquisition of ABR and Huzells.

## EPS and DPS

As Relais uses FAS accounting, it has significant amortisation related to acquisitions, and hence the reported earnings per share (EPS) is relatively low (EUR 0.03-0.36 in 2018-19). When adjusting for amortisation, we derive an adjusted EPS of EUR 0.67-0.75 for 2018-19. For 2020E-22E we expect Relais to pay out around 25% of its adjusted EPS in dividend, resulting in a DPS of EUR 0.15-0.24. The dividend payout ratio could be even higher, as the company targets a minimum payout of 30%, but we note that the current financial agreement does not allow annual dividend payments in excess of EUR 4m. In addition, we believe that the company will likely keep its payout ratio at a relatively low level in the coming years due to expected M&A activity.

EPS, DPS (EUR) AND DIVIDEND PAYOUT RATIO (%)

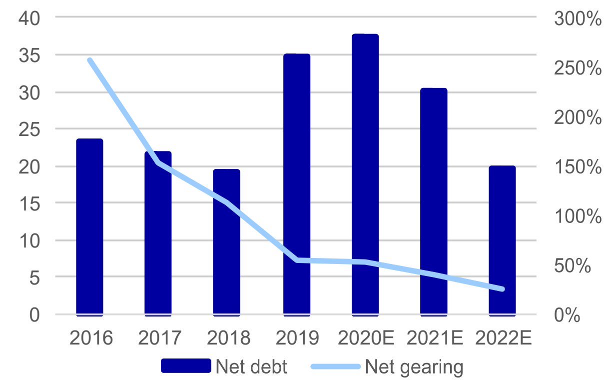



*Note: In the calculation of 2016-18 EPS, the average number of shares is 8.6m.For 2019, the average number of shares is 11.6m, while for 2020E-22E, the average number of shares is 16.8m.*
*Source: Company data and Nordea estimates*

## Strong balance sheet after the IPO

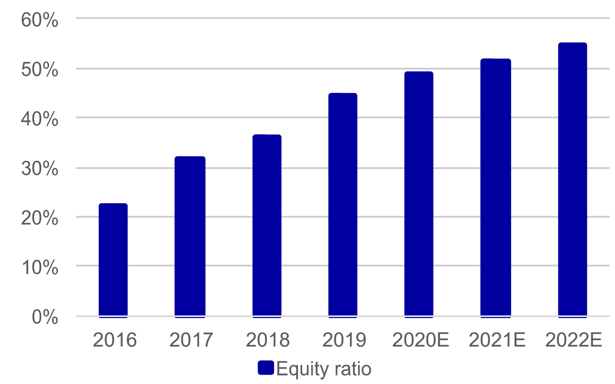
Relais has significantly deleveraged its balance sheet after its IPO, taking down its net gearing from 112% in 2018 to 54% in 2019. During H1 2019, Relais raised around EUR 50m in additional net debt to fund the acquisitions of ABR and Huzells, and in the IPO the company raised EUR 20m in new equity. The equity ratio has also improved, from 36% in 2018 to 44.5% in 2019. The company's financial agreement's net debt/EBITDA covenant of 2.75x is linked to dividend payments and it is not be breached in conjunction with dividend payout.

NET DEBT (EURm) AND NET GEARING (%)




*Source: Company data and Nordea estimates*

EQUITY RATIO (%)

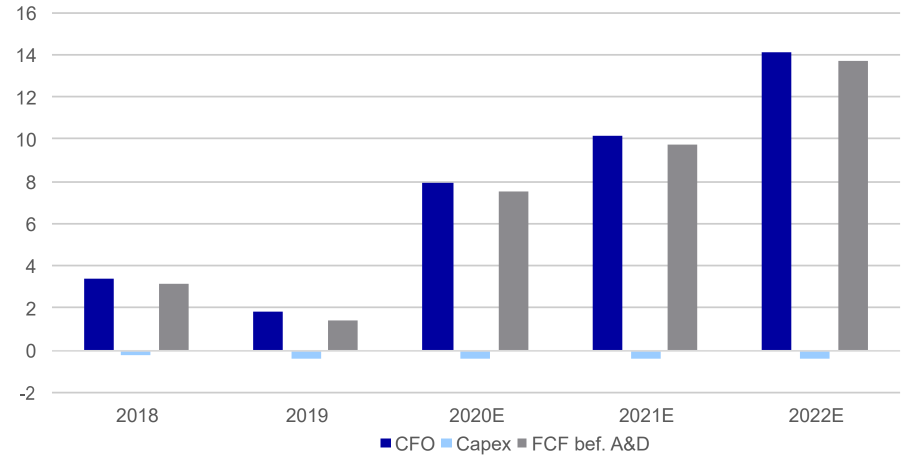



*Source: Company data and Nordea estimates*

## Stable cash flow going forward – low CAPEX needs

Relais generated operating cash flow (CFO) of EUR 1.8-3.4m annually in 2018-19. As the company operates with low capital expenditure needs, the free cash flow before acquisitions and divestments was EUR 1.8-3.2m during the same period. The acquisitions carried out in 2020 will also have meaningful impact on investment and free cash flow during the year. In addition, we expect the company to further increase inventories, which we expect to have a EUR 2-4m negative impact on free cash flow in 2020E-22E. As we have not modelled in future M&A, we expect the operating and free cash flows to normalise in 2021-22 to around EUR 10-14m annually.

**CFO, CAPEX AND FCF BEFORE ACQUISITIONS AND DIVESTMENTS (EURm)**




*Source: Company data and Nordea estimates*

# Estimates

**DETAILED ESTIMATES**

| EURm | H1 19 | H2 19E | H1 20E | H2 20E | H1 21E | H2 21E | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | **38** | **61** | **49** | **63** | **60** | **68** | **60** | **72** | **99** | **113** | **128** | **137** |
| Sales growth | 12% | 58% | 31% | 3% | 22% | 8% | 3% | 20% | 37% | 14% | 14% | 7% |
| of which organic | 3% | 1% | -15% | -5% | 20% | 8% | -1% | 10% | 2% | -9% | 13% | 7% |
| of which structural | 9% | 58% | 46% | 9% | 2% | 0% | 3% | 10% | 36% | 23% | 1% | 0% |
| | | | | | | | | | | | | |
| Other operating income | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 |
| Materials and services | -25 | -41 | -33 | -42 | -40 | -45 | -40 | -48 | -66 | -76 | -85 | -91 |
| | | | | | | | | | | | | |
| **Gross profit** | **12.4** | **20.7** | **16.0** | **20.8** | **20.4** | **23.2** | **20.9** | **24.3** | **33.1** | **36.8** | **43.6** | **46.8** |
| Gross margin % | 32.8% | 33.8% | 32.5% | 32.9% | 34.0% | 33.9% | 34.6% | 33.6% | 33.4% | 32.7% | 33.9% | 34.0% |
| | | | | | | | | | | | | |
| Staff costs | -5 | -7 | -7 | -7 | -8 | -8 | -8 | -10 | -12 | -15 | -16 | -16 |
| Other operating costs | -3 | -5 | -4 | -4 | -5 | -4 | -5 | -6 | -8 | -8 | -9 | -9 |
| | | | | | | | | | | | | |
| **EBITDA** | **4.0** | **9.3** | **4.8** | **9.5** | **8.3** | **11.1** | **8.3** | **8.7** | **13.3** | **14.3** | **19.4** | **22.1** |
| EBITDA margin % | 10.7% | 15.2% | 9.8% | 15.0% | 13.9% | 16.2% | 13.8% | 12.1% | 13.5% | 12.7% | 15.1% | 16.1% |
| | | | | | | | | | | | | |
| D&A | -1.9 | -3.6 | -3.6 | -3.7 | -3.7 | -3.7 | -2.2 | -3.0 | -5.5 | -7.3 | -7.4 | -7.3 |
| of which depreciations | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.3 | -0.3 | -0.4 | -0.4 | -0.4 | -0.4 |
| of which amortizations | -1.7 | -3.4 | -3.4 | -3.5 | -3.5 | -3.5 | -1.9 | -2.7 | -5.1 | -6.9 | -7.0 | -7.0 |
| | | | | | | | | | | | | |
| EBITA | 3.9 | 9.1 | 4.6 | 9.3 | 8.1 | 10.9 | 8.1 | 8.4 | 13.0 | 13.9 | 19.0 | 21.7 |
| | | | | | | | | | | | | |
| NRI | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | | |
| **Adj. EBITA** | **3.9** | **9.1** | **4.6** | **9.3** | **8.1** | **10.9** | **8.1** | **8.4** | **13.0** | **13.9** | **19.0** | **21.7** |
| Adj. EBITA margin % | 10.3% | 14.9% | 9.4% | 14.7% | 13.6% | 16.0% | 13.4% | 11.6% | 13.1% | 12.4% | 14.8% | 15.8% |
| -growth y/y | 10% | 87% | 19% | 2% | 76% | 17% | -21% | 4% | 55% | 7% | 37% | 14% |
| | | | | | | | | | | | | |
| **EBITA Bridge** | | | | | | | | | | **1.0** | **5.1** | **2.7** |
| Organic | | | | | | | | | | -3.2 | 5.7 | 3.4 |
| FX | | | | | | | | | | -0.1 | 0.0 | 0.0 |
| Structural | | | | | | | | | | 3.1 | 0.1 | 0.0 |
| Cost vs price | | | | | | | | | | 1.2 | -0.7 | -0.8 |
| | | | | | | | | | | | | |
| **EBIT** | **2.2** | **5.7** | **1.2** | **5.8** | **4.6** | **7.4** | **6.1** | **5.7** | **7.9** | **7.0** | **12.1** | **14.7** |
| EBIT margin % | 5.8% | 9.3% | 2.5% | 9.2% | 7.7% | 10.9% | 10.2% | 7.9% | 7.9% | 6.3% | 9.4% | 10.7% |
| | | | | | | | | | | | | |
| Net financials | -1.9 | -3.4 | -0.9 | -0.8 | -0.8 | -0.7 | -0.8 | -0.9 | -5.4 | -1.7 | -1.5 | -1.5 |
| | | | | | | | | | | | | |
| PTP | 0.2 | 2.3 | 0.4 | 5.0 | 3.9 | 6.7 | 5.3 | 4.8 | 2.5 | 5.4 | 10.6 | 13.3 |
| | | | | | | | | | | | | |
| Tax | -0.4 | -1.5 | -0.8 | -1.8 | -1.5 | -2.1 | -1.4 | -1.5 | -1.9 | -2.6 | -3.7 | -4.3 |
| | | | | | | | | | | | | |
| Minority interest | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 |
| | | | | | | | | | | | | |
| **Net profit for equity** | **-0.3** | **0.7** | **-0.5** | **3.1** | **2.2** | **4.5** | **3.8** | **3.1** | **0.4** | **2.6** | **6.7** | **8.8** |
| Net profit | -0.2 | 0.7 | -0.4 | 3.2 | 2.3 | 4.6 | 3.9 | 3.3 | 0.6 | 2.8 | 6.9 | 9.0 |
| | | | | | | | | | | | | |
| EPS (undiluted) | -0.03 | 0.05 | -0.03 | 0.19 | 0.13 | 0.27 | 0.44 | 0.36 | 0.03 | 0.15 | 0.40 | 0.52 |
| **Adj. EPS (excl. amortization)** | **0.32** | **0.41** | **0.17** | **0.39** | **0.34** | **0.47** | **0.66** | **0.67** | **0.75** | **0.56** | **0.81** | **0.94** |
| | | | | | | | | | | | | |
| DPS | | | | | | | | | 0.10 | 0.15 | 0.20 | 0.24 |
| Dividend payout ratio | | | | | | | | | 13% | 27% | 25% | 26% |

*Source: Company data and Nordea estimates*

# Valuation

We analyse Relais using a variety of valuation methods, including a peer multiples-based valuation and a discounted cash flow (DCF) valuation. In our approach to valuation, we only include the organic growth potential and exclude any impact of potential future M&A. Relais has what we consider to be a solid financial position after its recent IPO, and we believe the company will use its strong balance sheet to execute its growth strategy, including M&A. Using a combination of valuation methods, we derive a valuation range of EUR 6.3-7.7 per share.

### Background

Our valuation does not include M&A

We acknowledge Relais' ambition to continue high growth, which includes a significant M&A growth component. However, as the potential targets and their size and fundamentals are as yet unknown, we refrain from including any speculative M&A in our estimates.

We use a range of valuation methods to derive a fair value for Relais. In our analysis, we compare Relais to what we consider its most relevant peers using valuation multiples such as EV/EBITDA and P/E multiples. We also use a standard DCF model. The table below shows our valuation peer group.

**PEER VALUATION TABLE**

| | EV / Sales | | | EV / EBITDA | | | EV/EBIT | | | P/E | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020E | 2021E | 2019 | 2020E | 2021E | 2019 | 2020E | 2021E | 2019 | 2020E | 2021E |
| **Peer group** | | | | | | | | | | | | |
| Advance Auto Parts Inc | 0.7x | 0.7x | 0.7x | 6.8x | 6.6x | 6.2x | 8.8x | 8.7x | 7.9x | 11.8 | 11.3 | 10.0 |
| Auto Partner Sa | 0.5x | 0.4x | 0.3x | 6.7x | 5.5x | 5.1x | 7.8x | 6.7x | 6.0x | 8.5 | 6.8 | 5.7 |
| Autozone Inc | 2.2x | 2.2x | 2.0x | 10.0x | 10.1x | 9.5x | 11.7x | 11.8x | 11.2x | 13.6 | 13.2 | 11.8 |
| Inter Cars Sa | 0.2x | 0.2x | 0.2x | 4.0x | 3.9x | 3.8x | 5.6x | 5.4x | 5.4x | 7.9 | 7.2 | 6.6 |
| Camping World Holdings Inc | 0.5x | 0.5x | 0.5x | 13.9x | 9.7x | 8.9x | 15.8x | 13.7x | 10.1x | | 6.7 | 5.1 |
| Dometic Group Ab (Publ) | 1.1x | 1.1x | 1.1x | 6.4x | 6.9x | 6.0x | 8.7x | 9.0x | 7.7x | 8.7 | 9.3 | 6.7 |
| Halfords Group Plc | 0.5x | 0.5x | 0.5x | 6.4x | 7.3x | 6.9x | 10.5x | 14.8x | 12.4x | 3.4 | 4.4 | 3.9 |
| Mekonomen Ab | 0.7x | 0.7x | 0.7x | 5.0x | 5.1x | 4.9x | 9.1x | 9.8x | 9.0x | 4.0 | 3.6 | 3.4 |
| O'Reilly Automotive Inc | 2.7x | 2.6x | 2.5x | 10.7x | 12.3x | 11.6x | 14.4x | 14.1x | 13.2x | 17.9 | 16.6 | 15.3 |
| Thule Group Ab | 2.7x | 2.7x | 2.6x | 13.8x | 13.6x | 12.3x | 15.4x | 15.3x | 13.7x | 18.1 | 18.2 | 16.3 |
| Peer group average | 1.2x | 1.2x | 1.1x | 8.4x | 8.1x | 7.5x | 10.8x | 10.9x | 9.7x | 10.4 | 9.7 | 8.5 |
| **Peer group median** | **0.7x** | **0.7x** | **0.7x** | **6.7x** | **7.1x** | **6.6x** | **9.8x** | **10.8x** | **9.6x** | **8.7** | **8.2** | **6.6** |
| **US peers' average** | **1.5x** | **1.5x** | **1.4x** | **10.4x** | **9.7x** | **9.0x** | **12.7x** | **12.1x** | **10.6x** | **14.4x** | **12.0x** | **10.6x** |
| **European peers' average** | **0.9x** | **0.9x** | **0.9x** | **7.1x** | **7.1x** | **6.5x** | **9.5x** | **10.1x** | **9.0x** | **8.4x** | **8.2x** | **7.1x** |
| **Relais (Nordea)** | **1.4x** | **1.3x** | **1.0x** | **9.8x** | **9.9x** | **6.9x** | **22.1x** | **19.6x** | **11.5x** | **42.4x** | **16.5x** | **12.5x** |

*Source: Thomson Reuters*

### Relative valuations reflect the COVID-19 uncertainty

We note that the current valuation multiples reflect high uncertainty around the coronavirus. The length of the crisis is not clear, nor are the financial impacts. In addition, earnings-based multiples may be lagging as earnings forecast are not updated on a daily basis as share prices.

### EV/EBITDA-based valuation of EUR 5.2-6.3 per share

Based on our EUR 19m EBITDA estimates for 2021, and an accepted valuation multiple range of 6.0-7.0x (midpoint: 6.5x), we arrive at a fair value range of EUR 5.2-6.3 per share for Relais. We believe that the European peers' valuation multiples are more relevant, as these companies operate closer to the relevant markets for Relais. Also the profitability and growth profiles of the European peers are more like Relais', in our view.

### P/E-based valuation of EUR 5.5-6.7 per share

Using our EUR 0.81 amortisation-adjusted EPS estimates for 2021, we arrive at a fair value range of EUR 5.5-6.7 per share using P/E multiples of 6.8-8.3x (midpoint: 7.5x).

### What if Relais achieves its top-line target by 2024?

Relais targets to double net sales by 2024. If the company could achieve sales of EUR 240m in 2024 with an EBITDA margin of 16.5% (EUR 39.6m), and with 2024 net debt of EUR 84m, we calculate an equity value of EUR 10.3 per share when using an EV/EBITDA multiple of 6.5x, which discounted to the end of 2020 equals EUR 7.0. However, with similar assumptions and when using the US peer group average multiple of 9x, the equity value would be as high as EUR 16.2 per share, which discounted to the end of 2020 equals EUR 11.0.

### DCF model

A discounted cash flow (DCF) model is one of the most common ways to evaluate the intrinsic value of a business, so we also use this method to estimate the value of Relais. A DCF model discounts the value of all future cash flows to their present value using the weighted cost of capital (WACC). The WACC takes into account the expected returns or both equity and bondholders of a company. A DCF valuation can be described by the following steps:

- Discount a company's free cash flows at WACC to derive the total company's enterprise value (EV).
- Identify which parts of the total enterprise value are related to debt holders and non-equity claims.
- Deduct all components that are not related to the equity holders' claim to derive equity value for the company. The equity value is then divided by the number of outstanding shares to achieve a DCF-based share price.

We find DCF to be a good valuation method for Relais since it takes into account the fundamental drivers of a company, such as the cost of capital, growth rates, reinvestments rates etc. The main appeal of a DCF model is that it only takes into account a company's cash flows instead of accounting-based earnings. A disadvantage is that it is relatively sensitive to changes in input values.

### DCF-based valuation of EUR 8.2-10.1 per share

In our DCF model, we value Relais based on the current business, assuming no additional value-adding acquisitions and that sales CAGR will be 5.4% in 2020E-25E, and subsequently 2% in perpetuity, meaning that organic growth is roughly the same as the average rate of inflation. We also assume Relais will maintain its profitability level at an adjusted EBIT margin of 11.5% in the long run. We use a cost of debt of 4% in our DCF model, as the current level is unlikely to persist in the long term. We also assign the company a long-term equity weight of 50% in our DCF model.

**WACC COMPONENTS**

| **WACC components** | |
|---|---|
| Risk-free interest rate | 2.5% |
| Market risk premium | 4.0% |
| Forward looking asset beta | nm |
| Beta debt | 0.1 |
| Forward looking equity beta | 2.2-1.6 |
| Cost of equity | 11.5-9% |
| Cost of debt | 4.0% |
| Tax-rate used in WACC | 30% |
| Equity weight | 50% |
| **WACC** | **7.1-5.9%** |

*Source: Nordea estimates*

**DCF VALUATION**

| **DCF value** | **Value** | **Per share** |
|---|---|---|
| NPV FCFF | 185 | 10.1-11.9 |
| (Net debt) | -35 | -2.1 |
| Market value of associates | 0 | 0.0 |
| (Market value of minorities) | 0 | 0.0 |
| Surplus values | 0 | 0.0 |
| (Market value preference shares) | 0 | 0.0 |
| Share based adjustments | 0 | 0.0 |
| Other adjustments | 0 | 0.0 |
| Time value | 4 | 0.2 |
| **DCF Value** | **139-169** | **8.2-10.1** |

*Source: Nordea estimates*

**DCF ASSUMPTIONS**

| **Averages and assumptions** | **2020-25** | **2026-30** | **2031-35** | **2036-40** | **2041-45** | **2046-50** | **Sust.** |
|---|---|---|---|---|---|---|---|
| Sales growth, CAGR | 5.4% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | |
| EBIT-margin, excluding associates | 10.8% | 11.5% | 11.5% | 11.5% | 11.5% | 3.9% | |
| Capex/depreciation, x | 0.1 | 0.20 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Capex/sales | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | |
| NWC/sales | 40% | 40% | 40% | 40% | 40% | 40% | |
| FCFF, CAGR | -225.6% | 1.8% | 2.0% | 2.0% | 2.0% | -23.8% | 2.0% |

*Source: Nordea estimates*

## DCF valuation sensitivity

To test the robustness of our base-case scenario, we perform a sensitivity analysis by varying our EBIT margin, sales growth and WACC assumptions. We note that the derived DCF fair value is especially sensitive to the WACC assumptions, implying that changes in the company's risk profile could significantly impact the fair value assessment in either direction.

When we use sensitivities of ±0.5 pp for WACC, ±0.5 pp for sales growth and ±0.5 for EBIT margin change, our DCF model gives us a value range of EUR 8.0-10.6 per share.

**SENSITIVITY OF OUR DCF MODEL**

| | | WACC | | | | |
|---|---|---|---|---|---|---|
| | | **5.5%** | **6.0%** | **6.5%** | **7.0%** | **7.5%** |
| | **+1.0pp** | 12.3 | 11.1 | 10.1 | 9.2 | 8.5 |
| **EBIT margin change** | **+0.5pp** | 11.7 | 10.6 | 9.6 | 8.8 | 8.1 |
| | | 11.1 | 10.0 | **9.2** | 8.4 | 7.8 |
| | **-0.5pp** | 10.4 | 9.5 | 8.7 | 8.0 | 7.4 |
| | **-1.0pp** | 9.8 | 8.9 | 8.2 | 7.6 | 7.0 |

| | | WACC | | | | |
|---|---|---|---|---|---|---|
| | | **5.5%** | **6.0%** | **6.5%** | **7.0%** | **7.5%** |
| | **+1.0pp** | 11.8 | 10.6 | 9.6 | 8.8 | 8.1 |
| **Sales growth change** | **+0.5pp** | 11.4 | 10.3 | 9.4 | 8.6 | 7.9 |
| | | 11.1 | 10.0 | **9.2** | 8.4 | 7.8 |
| | **-0.5pp** | 10.7 | 9.8 | 8.9 | 8.2 | 7.6 |
| | **-1.0pp** | 10.4 | 9.5 | 8.7 | 8.1 | 7.5 |

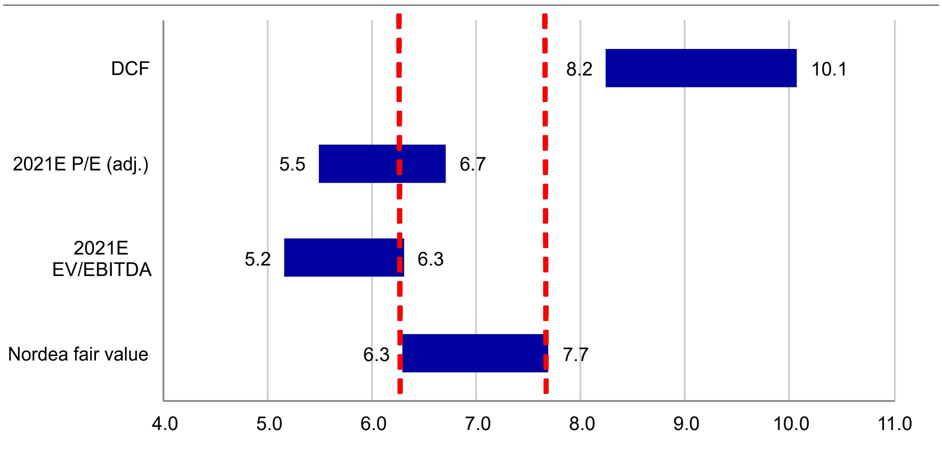
| | | Sales growth change | | | | |
|---|---|---|---|---|---|---|
| | | **-1.0pp** | **-0.5pp** | | **+0.5pp** | **+1.0pp** |
| | **+1.0pp** | 9.6 | 9.8 | 10.1 | 10.4 | 10.7 |
| **EBIT margin change** | **+0.5pp** | 9.1 | 9.4 | 9.6 | 9.9 | 10.2 |
| | | 8.7 | 8.9 | **9.2** | 9.4 | 9.6 |
| | **-0.5pp** | 8.3 | 8.5 | 8.7 | 8.9 | 9.1 |
| | **-1.0pp** | 7.9 | 8.1 | 8.2 | 8.4 | 8.5 |

*Source: Nordea estimates*

## Valuation conclusion

Based on the assumption that Relais can deliver revenue growth and an operating profit margin in line with our expectations, we estimate a fair value range of EUR 6.3-7.7 per share based on our different valuation approaches. This valuation range is represented as the red lines in the chart below.

**VALUATION RANGE (EUR/SHARE)**




*Source: Nordea estimates*

# Risk factors

Below, we list the main risk factors we find relevant for Relais Group. The purpose of this is not to provide a comprehensive picture of all of the risks that the company may be subject to, but instead to highlight those that we find most relevant. The main risks we identify relate to the general Finnish economy, car spare parts sales and vehicle service business. In addition, the current COVID-19 situation creates high uncertainty regarding consumer behaviour, which could hamper Relais' sales and earnings if people postpone their car service spending.

## General economy

A sluggish economy could negatively affect car service and spare parts sales

The car service industry is to some extent dependent on the general economy. In times of strong economic activity, people are more inclined to spend money on car service and upgrades. Typically, unemployment rates decrease at such times, which increases consumers' disposable income.

Currently, the outlook for the Nordic economies is worsening, which could have a negative impact on Relais' sales if people start cutting back on car service spending and/or postpone servicing their cars. The current COVID-19 impact is not clear, but it will most likely be large due to the slowdown in economic activity. The length of the situation is not clear and further downside to economic forecasts persists.

## Increasing competition

Competitors consolidating the market could hamper Relais' growth prospects

We note that the car spare parts market is still very fragmented, and should other players take an active role in market consolidation this could hurt the sales prospects of Relais and also profitability if competitors became more aggressive on pricing.

## Dependency on suppliers

Disturbances by suppliers may affect product availability

As Relais is importing its goods and not producing spare parts or equipment itself, the company could be seriously negatively affected if its suppliers are unable to deliver products as agreed or if the quality of products decreases significantly.

The coronavirus situation might cause supply-side problems and extra freight costs, while a prolonged situation might even hamper demand for Relais' spare parts and equipment.

## Risks related to expansion

If not executed well, high M&A activity may increase costs

Relais' ambitions to grow fast do not come without costs, investments and risks. M&A could increase costs temporarily, or more long-term in the worst case if acquisitions were to fail or integration was to be executed poorly. Hence it is important for the company to maintain good cost control and clear M&A execution plans so as not to hamper earnings.

## Dependency on key employees

Key employees leaving could lead to the loss of clients

Relais is very much dependent on the efforts of its management team and the board of directors. These key persons have substantial knowledge of running listed companies as well as broad sector knowledge. Should these people leave, it might take some time to find replacements, and should key employees join a competitor or start a competing business, this could significantly hamper Relais' business, leading to the loss of clients or even suppliers.

## Financial position

A share issue could dilute current shareholders' ownership

Relais has high growth ambitions and hence we do not rule out the need for additional equity to support future M&A activity. An equity issue could dilute the current shareholders' ownership. However, we believe that Relais has limited need for additional capital as the company has recently raised EUR 20m of new capital via its recent IPO.

## Substantial amount of intangible assets

Significant writedown of goodwill could worsen the financial position

Due to M&A, Relais has accumulated a significant amount of goodwill on its balance sheet and should a future test (in case the company switches to IFRS accounting standards) show a significant decline in the value of goodwill it could have a huge impact on the balance sheet and earnings. A weakening balance sheet could limit the possibility of new financing and hence have a negative impact on future M&A and business operations.

## IT systems

Crucial IT system failures or slow adaption to new technology can put Relais in a disadvantageous position

Relais is dependent on its IT systems and any disruption in these could affect the company's daily business and reputation or even increase its costs. Also a slow adaption to new technology could leave Relais in a disadvantageous position versus its competitors.

# Peers

We have mainly used European and US automobile spare parts distributors in our peer group for Relais Group. In addition, we look at Nordic non-listed companies engaged in spare parts wholesale and retail sales.

For Relais' peer group, we use companies that engage mainly in car and spare parts distribution (all except for Thule). We include US companies due to the small number of relevant listed European peers. We note that the US peers on average trade at higher valuation multiples, with a 2020E-21E EV/EBITDA of 9.0-9.7x versus European peers at 6.5-7.1x. The US companies are also on average more profitable than their European counterparts.

**PEER OVERVIEW**

| | | Price | Mcap | EV | EV / Sales | | | EV / EBITDA | | | EV/EBIT | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Country | Local | EURm | EURm | 2019 | 2020E | 2021E | 2019 | 2020E | 2021E | 2019 | 2020E | 2021E |
| **Peer group** | | | | | | | | | | | | | |
| Advance Auto Parts Inc | USA | 97 | 6,049 | 6,343 | 0.7x | 0.7x | 0.7x | 6.8x | 6.6x | 6.2x | 8.8x | 8.7x | 7.9x |
| Auto Partner Sa | Poland | 4 | 105 | 157 | 0.5x | 0.4x | 0.3x | 6.7x | 5.5x | 5.1x | 7.8x | 6.7x | 6.0x |
| Autozone Inc | USA | 874 | 18,477 | 23,551 | 2.2x | 2.2x | 2.0x | 10.0x | 10.1x | 9.5x | 11.7x | 11.8x | 11.2x |
| Inter Cars Sa | Poland | 147 | 463 | 463 | 0.2x | 0.2x | 0.2x | 4.0x | 3.9x | 3.8x | 5.6x | 5.4x | 5.4x |
| Camping World Holdings Inc | USA | 6 | 473 | 2,063 | 0.5x | 0.5x | 0.5x | 13.9x | 9.7x | 8.9x | 15.8x | 13.7x | 10.1x |
| Dometic Group Ab (Publ) | Sweden | 40 | 1,094 | 1,917 | 1.1x | 1.1x | 1.1x | 6.4x | 6.9x | 6.0x | 8.7x | 9.0x | 7.7x |
| Halfords Group Plc | UK | 73 | 165 | 670 | 0.5x | 0.5x | 0.5x | 6.4x | 7.3x | 6.9x | 10.5x | 14.8x | 12.4x |
| Mekonomen Ab | Sweden | 43 | 221 | 748 | 0.7x | 0.7x | 0.7x | 5.0x | 5.1x | 4.9x | 9.1x | 9.8x | 9.0x |
| O'Reilly Automotive Inc | USA | 318 | 21,389 | 24,823 | 2.7x | 2.6x | 2.5x | 10.7x | 12.3x | 11.6x | 14.4x | 14.1x | 13.2x |
| Thule Group Ab | Sweden | 166 | 1,569 | 1,773 | 2.7x | 2.7x | 2.6x | 13.8x | 13.6x | 12.3x | 15.4x | 15.3x | 13.7x |
| Peer group average | | | | | 1.2x | 1.2x | 1.1x | 8.4x | 8.1x | 7.5x | 10.8x | 10.9x | 9.7x |
| **Peer group median** | | | | | **0.7x** | **0.7x** | **0.7x** | **6.7x** | **7.1x** | **6.6x** | **9.8x** | **10.8x** | **9.6x** |
| **US peers' average** | | | | | **1.5x** | **1.5x** | **1.4x** | **10.4x** | **9.7x** | **9.0x** | **12.7x** | **12.1x** | **10.6x** |
| **European peers' average** | | | | | **0.9x** | **0.9x** | **0.9x** | **7.1x** | **7.1x** | **6.5x** | **9.5x** | **10.1x** | **9.0x** |
| **Relais (Nordea)** | **Finland** | **6.2** | **105** | **138** | **1.4x** | **1.3x** | **1.0x** | **9.8x** | **9.9x** | **6.9x** | **22.1x** | **19.6x** | **11.5x** |

*Source: Thomson Reuters, Note: closing prices and market capitalisations as of 30 March2020*

We find it justified that US peers trade at higher average valuation multiples as they have on average higher profitability with a 2020-21E EBITDA margin of 14.6-14.8% versus European peers' average of 11.6-12.0%. The higher valuation of US peers is also reflected in clearly lower dividend yields. However, the European peers are on average expected to continue showing higher sales growth than the US peers.

**PEER GROUP KEY FIGURES**

| | Sales Growth | | | | EBITDA Margin | | | | Div yield % | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020E | 2021E | 2018 | 2019 | 2020E | 2021E | 2018 | 2019 | 2020E | 2021E |
| **Peer group** | | | | | | | | | | | | |
| Advance Auto Parts Inc | 4.3% | 5.1% | 2.5% | 1.7% | 10.1% | 10.6% | 10.6% | 11.2% | 0.2% | 0.2% | 0.3% | 0.3% |
| Auto Partner Sa | 22.9% | 27.4% | 20.4% | 17.3% | 7.8% | 6.8% | 6.9% | 6.4% | 0.6% | 0.0% | 0.0% | 0.0% |
| Autozone Inc | 1.1% | 11.9% | 1.2% | 5.9% | 22.2% | 21.7% | 21.4% | 21.4% | 0.0% | 0.0% | 0.0% | 0.0% |
| Inter Cars Sa | 12.2% | 11.6% | 6.4% | 7.8% | 4.9% | 5.6% | 5.4% | 5.2% | 0.5% | 0.5% | 0.5% | 1.9% |
| Camping World Holdings Inc | 13.1% | 5.6% | -6.9% | 5.0% | 6.7% | 3.4% | 5.2% | 5.4% | 9.9% | 10.1% | 5.2% | 7.0% |
| Dometic Group Ab (Publ) | 21.2% | -0.8% | -3.9% | 4.2% | 17.9% | 17.1% | 16.6% | 18.4% | 5.8% | 5.7% | 5.6% | 6.0% |
| Halfords Group Plc | 2.1% | -2.1% | -4.1% | 2.2% | 9.4% | 8.2% | 7.4% | 7.7% | 25.8% | 18.1% | 13.7% | 14.9% |
| Mekonomen Ab | 21.7% | 47.2% | -1.2% | 2.1% | 9.5% | 13.5% | 13.5% | 13.7% | 0.0% | 5.3% | 4.5% | 5.7% |
| O'Reilly Automotive Inc | 6.4% | 11.6% | 4.2% | 6.0% | 21.7% | 25.3% | 21.1% | 21.3% | 0.0% | 0.0% | 0.0% | 0.0% |
| Thule Group Ab | 1.1% | 6.8% | -1.7% | 6.0% | 19.1% | 19.3% | 19.9% | 20.7% | 4.6% | 4.8% | 4.8% | 5.2% |
| Peer group average | 10.6% | 12.4% | 1.7% | 5.8% | 12.9% | 13.1% | 12.8% | 13.1% | 4.7% | 4.5% | 3.5% | 4.1% |
| **Peer group median** | **9.3%** | **9.2%** | **0.0%** | **5.4%** | **9.8%** | **12.1%** | **12.1%** | **12.4%** | **0.5%** | **2.7%** | **2.5%** | **3.5%** |
| **US peers' average** | **6.2%** | **8.6%** | **0.3%** | **4.6%** | **15.2%** | **15.2%** | **14.6%** | **14.8%** | **2.5%** | **2.6%** | **1.4%** | **1.8%** |
| **European peers' average** | **13.5%** | **15.0%** | **2.7%** | **6.6%** | **11.4%** | **11.7%** | **11.6%** | **12.0%** | **6.2%** | **5.7%** | **4.9%** | **5.6%** |
| **Relais (Nordea)** | **19.9%** | **36.6%** | **13.8%** | **14.0%** | **12.1%** | **13.5%** | **12.7%** | **15.1%** | | **1.2%** | **2.4%** | **3.2%** |

*Source: Thomson Reuters*

## Listed peer companies

**Advance Auto Parts** – Provides automotive aftermarket parts in North America, serving do-it-for-me (Professional) and do-it-yourself (DIY) clients. The company's stores and branches offer a selection of brand names, original equipment manufacturers (OEM) and private label automotive replacement parts, accessories, batteries and maintenance items for domestic and imported cars, vans, sport utility vehicles and light and heavy-duty trucks. The company operated 4,912 stores and 150 Worldpac branches in the United States, Canada, Puerto Rico and the US Virgin Islands. The company also serves 1,250 independently owned Carquest branded stores.

**Auto Partner** – A Poland-based company engaged in the import and distribution of spare parts for cars, light commercial vehicles and motorcycles. The company has approximately 60 branch offices across the domestic markets and some representative offices in neighbouring countries like the Czech Republic, Slovakia, Ukraine and Belarus. Auto Partner distributes stabiliser links, steering rod end sets, steering rods, suspension arms, pins, rubber/metal parts, power steering pumps and steering gears, among others.

**Autozone** – A US-based retailer and distributor of automotive replacement parts and accessories with more than 6,000 stores in the US, Puerto Rico, Mexico, and Brazil. The company's stores carry product lines for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products.

**Inter Cars** – A Poland-based car and truck parts importer and distributor. The company's offering includes spare parts for passenger and commercial cars and trucks, motorcycle parts, semitrailers, tuning products, car accessories, garage equipment, as well as gas installation services and production of semi-trailers. The company operates via 149 branches in Poland, and 106 branches abroad in countries like the Czech Republic, Bulgaria, Slovakia, Ukraine, Lithuania, Hungary, Croatia, Latvia, Italy and Romania.

**Camping World Holdings** - A US-based company offering an extensive assortment of recreational vehicles (RV) for sale, RV and camping gear, RV maintenance and repair and the industry's broadest and deepest range of services, protection plans, products and resources. The company has over 135 retail locations in 36 states and a comprehensive e-commerce platform. The company's products are sold through its two brands: Good Sam and Camping World.

**Dometic Group** - A Sweden-based company that manufactures and supplies mobile leisure products for recreational vehicles, such as motorhomes and caravans, and marine, commercial and passenger vehicles. Its products are sold through multiple distribution channels in around 100 countries. The company has production in 11 countries throughout Asia, Europe and the US.

**Halfords Group** - A UK-based retailer of motoring, cycling and leisure products and services. The Halfords Retail segment includes approximately 165,000 product lines that are available online, and over 460 Halfords stores selling motoring and cycling products. The Halfords Autocentres segment provides car service, repair and MOTs to both retail and fleet customers throughout the UK. Halfords Autocentres have over 300 UK garages nationwide, specialising in MOTs, servicing, brakes, tyres and repairs.

**Mekonomen** – A Sweden-based company operating a retail chain offering automotive spare parts and accessories. The company is also engaged in wholesale. The company operates in the Nordic countries and Poland. Mekonomen operates through more than 400 owned and associated stores, and over 2,000 service centres and affiliated workshops. In November 2013, it established a purchasing company in Hong Kong, as a part of cooperation agreement with Inter Cars.

**O'Reilly Automotive** - One of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment, and accessories in the US, serving both professional service providers and do-it-yourself customers. The company operates 5,420 stores across 47 states

**Thule Group** - A Sweden-based company engaged in the development and manufacture of sport, outdoor and cargo products. The company's brands are Thule, Case Logic, Konig, UWS, TracRac and SportRac. Its products are sold to retailers, distributors and wholesalers and are available in more than 130 countries. It has nine production facilities and more than 35 sales offices worldwide.

## Non-listed Nordic companies

**Atoy** – A Finnish-based company engaged in selling spare parts wholesale and a repair business. The company operates in Finland, Sweden, Latvia and Estonia. In 2018, Atoy's net sales were EUR 114m and it employs nearly 600 personnel. Atoy claims to be the fourth-largest automotive service company in the Nordic countries.

**Broman Group** - A Finnish-based company specialising in the sales of car and motorcycle spare parts and equipment, tools, boating and fishing equipment as well as domestic and leisure products. The company operates mainly in Finland through 33 Motonet and 27 AD Varaosamaailma outlets. Broman Group has its own sourcing operations in Hong Kong. In 2018, net sales were EUR 359m and the company employs around 1,500 employees.

**Aktieselskabet Carl Christensen (CAC)** – A Danish-based company that distributes automotive and industrial products. CAC also supplies plain bearing technology, filtering technology, and engine components to the marine and industrial sectors. In 2018, CAC net sales were DKK 926m and it employs over 600 employees.

**KG Knutsson (KGK)** – A Swedish-based wholesale and distribution company that operates through subsidiaries in Sweden, Norway, Finland, Lithuania, Latvia and Estonia. In its main market, Sweden, the company offers more than half a million articles for its partners though e-commerce. In 2018, net sales exceeded SEK 3.3bn and the company employs more than 950 employees.

**Koivunen** – A Finnish-based technical trade company operating in the automotive field. The company acts as an importer of passenger and commercial vehicles spare parts, accessories, appliances, tyres and wheels as well as tools, machines and fasteners. The company operates in Finland and the Baltics. In 2018, net sales were EUR 162m and the company employs more than 650 employees.

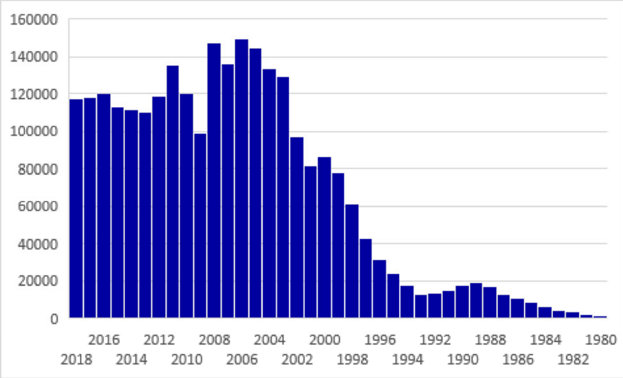
**Motoral** – A Finnish-based wholesaler operating in Finland and Estonia. The company offers a full range of products in auto accessories, personal vehicle parts and van parts, heavy equipment products, chemicals and lubricants, tools, and beverage vending machines. In 2018, net sales were EUR 74m and the company employs more than 200 employees.

**Thansen** – A Danish-based company that provides automobile parts and accessories. The company offers a wide range of products such as car tyres, motorcycle parts, crash helmets, car stereos, bicycle accessories, and scooter parts. Currently, the company operates through 83 outlets in Denmark and 19 in Norway. In 2018, net sales were DKK 1.3bn and the company employs almost 700 employees.

**Örum** – A Finnish-based company specialising in sales of vehicle spare parts and accessories. The company's net sales were EUR 63m in 2018 and it is part of the Mercantile group, whose net sales were EUR 75m in 2018. The company employs more than 200 people.

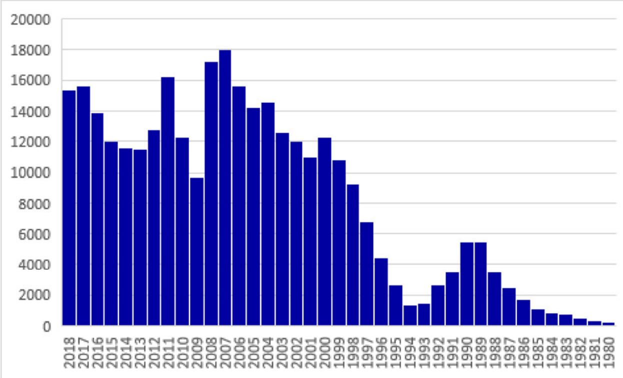
# Appendix

**FINNISH PASSENGER CAR AGE HISTOGRAM (UNITS BY COMMISSIONING YEAR)**



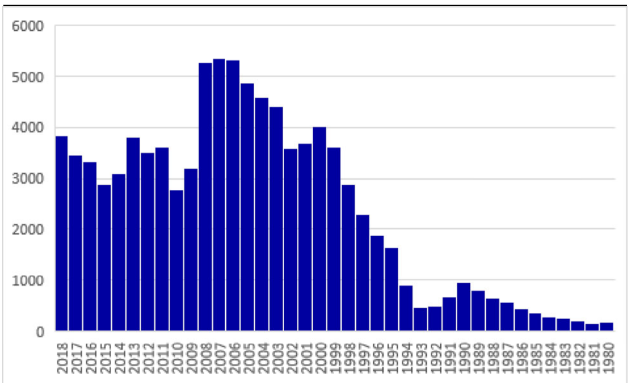

*Source: Traficom*

**FINNISH VANS AGE HISTOGRAM (UNITS BY COMMISSIONING YEAR)**



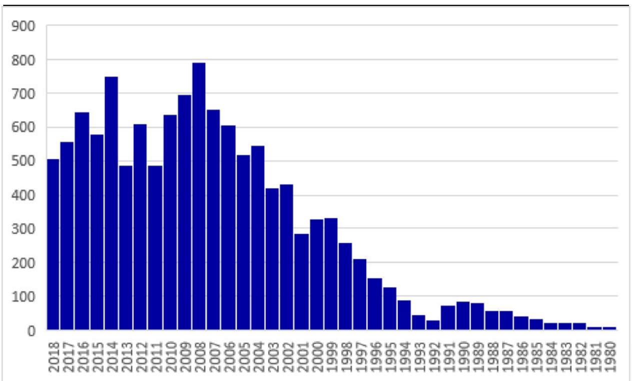

*Source: Traficom*

**FINNISH LORRIES AGE HISTOGRAM (UNITS BY COMMISSIONING YEAR)**



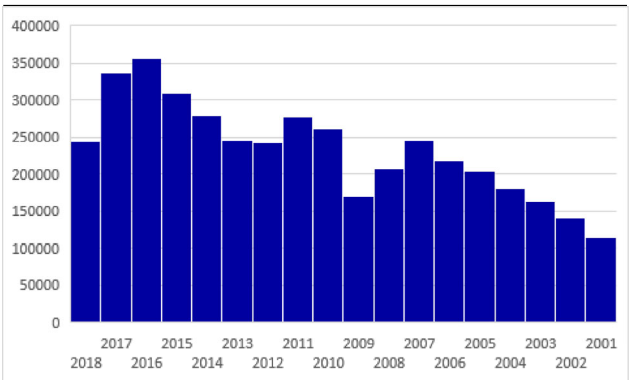

*Source: Traficom*

**FINNISH BUSES AGE HISTOGRAM (UNITS BY COMMISSIONING YEAR)**




*Source: Traficom*

**SWEDISH PASSENGER CAR AGE HISTOGRAM (UNITS BY COMMISSIONING YEAR)**




*Source: Transport analysis*

# Reported numbers and forecasts

| INCOME STATEMENT | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020E** | **2021E** | **2022E** |
| **Total revenue** | **31** | **32** | **42** | **54** | **59** | **60** | **72** | **99** | **113** | **128** | **137** |
| Revenue growth | 10.7% | 3.2% | 31.3% | 28.6% | 9.1% | 2.6% | 19.9% | 36.6% | 13.8% | 14.0% | 7.0% |
| of which organic | 11.4% | 4.4% | 7.0% | 8.8% | 9.5% | -0.8% | 9.5% | 2.0% | -8.8% | 13.3% | 7.0% |
| of which FX | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -1.1% | -0.6% | -0.1% | 0.0% |
| EBITDA | 0 | 0 | 0 | 0 | 9 | 8 | 9 | 13 | 14 | 19 | 22 |
| Depreciation and impairments PPE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| of which leased assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBITA | 0 | 0 | 0 | 0 | 9 | 8 | 8 | 13 | 14 | 19 | 22 |
| Amortisation and impairments | 0 | 0 | 0 | 0 | -2 | -2 | -3 | -5 | -7 | -7 | -7 |
| EBIT | n.a. | n.a. | n.a. | n.a. | 7 | 6 | 6 | 8 | 7 | 12 | 15 |
| of which associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Associates excluded from EBIT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net financials | 0 | 0 | 0 | 0 | -1 | -1 | -1 | -5 | -2 | -1 | -1 |
| of which lease interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes in value, net | 0 | 0 | 0 | 0 | -2 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Pre-tax profit** | **0** | **0** | **0** | **0** | **4** | **5** | **5** | **2** | **5** | **11** | **13** |
| Reported taxes | 0 | 0 | 0 | 0 | -1 | -1 | -2 | -2 | -3 | -4 | -4 |
| Net profit from continued operations | 0 | 0 | 0 | 0 | 3 | 4 | 3 | 1 | 3 | 7 | 9 |
| Discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority interests | 0 | 0 | 0 | 0 | -1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit to equity | 0 | 0 | 0 | 0 | 2 | 4 | 3 | 0 | 3 | 7 | 9 |
| **EPS** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **0.22** | **0.42** | **0.34** | **0.03** | **0.15** | **0.37** | **0.49** |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.15 | 0.20 | 0.24 |
| of which ordinary | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.15 | 0.20 | 0.24 |
| of which extraordinary | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | | | | | | |
| **Profit margin in percent** | | | | | | | | | | | |
| EBITDA | 0.0% | 0.0% | 0.0% | 0.0% | 15.2% | 13.8% | 12.1% | 13.5% | 12.7% | 15.1% | 16.1% |
| EBITA | 0.0% | 0.0% | 0.0% | 0.0% | 14.5% | 13.4% | 11.6% | 13.1% | 12.4% | 14.8% | 15.8% |
| EBIT | n.a. | n.a. | n.a. | n.a. | 11.6% | 10.2% | 7.9% | 7.9% | 6.3% | 9.4% | 10.7% |
| | | | | | | | | | | | |
| **Adjusted earnings** | | | | | | | | | | | |
| EBITDA (adj) | 0 | 0 | 0 | 0 | 11 | 8 | 9 | 13 | 14 | 19 | 22 |
| EBITA (adj) | 0 | 0 | 0 | 0 | 10 | 8 | 8 | 13 | 14 | 19 | 22 |
| EBIT (adj) | 0 | 0 | 0 | 0 | 8 | 6 | 6 | 8 | 7 | 12 | 15 |
| EPS (adj) | n.a. | n.a. | n.a. | n.a. | 0.40 | 0.42 | 0.34 | 0.29 | 0.15 | 0.37 | 0.49 |
| | | | | | | | | | | | |
| **Adjusted profit margins in percent** | | | | | | | | | | | |
| EBITDA (adj) | 0.0% | 0.0% | 0.0% | 0.0% | 18.0% | 13.8% | 12.1% | 13.5% | 12.7% | 15.1% | 16.1% |
| EBITA (adj) | 0.0% | 0.0% | 0.0% | 0.0% | 17.3% | 13.4% | 11.6% | 13.1% | 12.4% | 14.8% | 15.8% |
| EBIT (adj) | 0.0% | 0.0% | 0.0% | 0.0% | 14.4% | 10.2% | 7.9% | 7.9% | 6.3% | 9.4% | 10.7% |
| | | | | | | | | | | | |
| **Performance metrics** | | | | | | | | | | | |
| CAGR last 5 years | | | | | | | | | | | |
| Net revenue | n.a. | n.a. | n.a. | 17.6% | 16.0% | 14.3% | 17.8% | 18.7% | 15.8% | 16.9% | 17.8% |
| EBITDA | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | 16.8% | 21.5% |
| EBIT | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 12.1% | 19.2% |
| EPS | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 11.4% | 3.5% |
| DPS | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| Average last 5 years | | | | | | | | | | | |
| Average EBIT margin | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 8.3% | 8.2% | 8.6% |
| Average EBITDA margin | n.a. | n.a. | 0.0% | 0.0% | 4.1% | 7.0% | 9.0% | 11.4% | 13.3% | 13.6% | 14.2% |

| VALUATION RATIOS - ADJUSTED EARNINGS | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020E** | **2021E** | **2022E** |
| P/E (adj) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 28.0 | 43.8 | 17.0 | 12.9 |
| EV/EBITDA (adj) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 10.2 | 10.6 | 7.4 | 6.1 |
| EV/EBITA (adj) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 10.5 | 10.9 | 7.6 | 6.2 |
| EV/EBIT (adj) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 17.3 | 21.5 | 12.0 | 9.1 |

| VALUATION RATIOS - REPORTED EARNINGS | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020E** | **2021E** | **2022E** |
| P/E | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.m. | 43.8 | 17.0 | 12.9 |
| EV/Sales | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.37 | 1.35 | 1.13 | 0.98 |
| EV/EBITDA | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 10.2 | 10.6 | 7.4 | 6.1 |
| EV/EBITA | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 10.5 | 10.9 | 7.6 | 6.2 |
| EV/EBIT | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 17.3 | 21.5 | 12.0 | 9.1 |
| Dividend yield (ord.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.2% | 2.4% | 3.1% | 3.8% |
| FCF yield | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | -61.8% | -5.9% | 8.5% | 12.0% |
| FCF Yield bef A&D, lease adj | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.4% | 6.6% | 8.5% | 12.0% |
| Payout ratio | n.a. | n.a. | n.a. | n.a. | 0.0% | 0.0% | 0.0% | 319.0% | 103.0% | 53.4% | 48.7% |

*Source: Company data and Nordea estimates*

**BALANCE SHEET**

| EURm | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Intangible assets | 0 | 0 | 0 | 0 | 5 | 7 | 5 | 54 | 57 | 50 | 43 |
| of which R&D | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| of which other intangibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 |
| of which goodwill | 0 | 0 | 0 | 0 | 5 | 7 | 5 | 54 | 57 | 50 | 43 |
| Tangible assets | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 5 | 5 | 5 |
| of which leased assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest bearing assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-IB non-current assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total non-current assets | 0 | 0 | 0 | 0 | 5 | 8 | 6 | 55 | 62 | 56 | 49 |
| Inventory | 0 | 0 | 0 | 0 | 26 | 27 | 29 | 43 | 45 | 49 | 51 |
| Accounts receivable | 0 | 0 | 0 | 0 | 5 | 8 | 8 | 12 | 11 | 13 | 14 |
| Short-term leased assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 0 | 0 | 0 | 0 | 3 | 1 | 2 | 3 | 4 | 4 | 5 |
| Cash and bank | 0 | 0 | 0 | 0 | 1 | 2 | 2 | 30 | 22 | 24 | 29 |
| Total current assets | 0 | 0 | 0 | 0 | 35 | 37 | 42 | 88 | 82 | 90 | 99 |
| Assets held for sale | 0 | 0 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Total assets** | **0** | **0** | **0** | **0** | **40** | **45** | **48** | **143** | **145** | **146** | **147** |
| | | | | | | | | | | | |
| Shareholders equity | 0 | 0 | 0 | 0 | 6 | 11 | 17 | 64 | 70 | 75 | 80 |
| Of which preferred stocks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Of which equity part of hybrid debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority interest | 0 | 0 | 0 | 0 | 3 | 3 | 1 | 0 | 0 | 0 | 1 |
| Total Equity | 0 | 0 | 0 | 0 | 9 | 14 | 17 | 64 | 71 | 75 | 81 |
| Deferred tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 |
| Long term interest bearing debt | 0 | 0 | 0 | 0 | 15 | 11 | 14 | 59 | 54 | 49 | 44 |
| Pension provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other long-term provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other long-term liabilities | 0 | 0 | 0 | 0 | 3 | 0 | 2 | 0 | 0 | 0 | 0 |
| Non-current lease debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertible debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shareholder debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hybrid debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total non-current liabilities | 0 | 0 | 0 | 0 | 18 | 12 | 16 | 62 | 57 | 52 | 47 |
| Short-term provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accounts payable | 0 | 0 | 0 | 0 | 3 | 4 | 4 | 7 | 7 | 8 | 8 |
| Current lease debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 0 | 0 | 0 | 0 | 3 | 4 | 5 | 6 | 6 | 6 | 7 |
| Short term interest bearing debt | 0 | 0 | 0 | 0 | 8 | 12 | 6 | 5 | 5 | 5 | 5 |
| Total current liabilities | 0 | 0 | 0 | 0 | 14 | 19 | 15 | 18 | 17 | 19 | 20 |
| Liabilities for assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total liabilities and equity** | **0** | **0** | **0** | **0** | **40** | **45** | **48** | **143** | **145** | **146** | **147** |
| | | | | | | | | | | | |
| **Balance sheet and debt metrics** | | | | | | | | | | | |
| Net debt | 0 | 0 | 0 | 0 | 22 | 22 | 18 | 35 | 37 | 30 | 20 |
| of which lease debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Working capital | 0 | 0 | 0 | 0 | 28 | 28 | 31 | 46 | 48 | 52 | 54 |
| Invested capital | 0 | 0 | 0 | 0 | 34 | 36 | 37 | 101 | 110 | 107 | 103 |
| Capital employed | 0 | 0 | 0 | 0 | 32 | 37 | 37 | 128 | 130 | 129 | 130 |
| ROE | n.m. | n.m. | n.m. | n.m. | 64.1% | 44.7% | 22.7% | 1.0% | 3.9% | 9.3% | 11.4% |
| ROIC | n.m. | n.m. | n.m. | n.m. | 35.3% | 12.4% | 11.1% | 8.0% | 4.7% | 7.8% | 9.8% |
| ROCE | n.m. | n.m. | n.m. | n.m. | 53.4% | 17.9% | 15.7% | 9.6% | 5.8% | 9.6% | 11.7% |
| | | | | | | | | | | | |
| Net debt/EBITDA | 2.5 | 2.6 | 2.0 | 2.6 | 2.6 | 1.5 | 0.9 | 0.4 | -0.1 | -0.6 | n.m. |
| Interest coverage | n.a. | n.a. | n.a. | n.a. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| Equity ratio | n.m. | n.m. | n.m. | n.m. | 15.2% | 23.8% | 34.7% | 44.5% | 48.7% | 51.2% | 54.3% |
| Net gearing | n.m. | n.m. | n.m. | n.m. | 244.3% | 152.2% | 102.0% | 54.3% | 52.8% | 40.0% | 24.4% |

*Source: Company data and Nordea estimates*

| CASH FLOW STATEMENT | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020E** | **2021E** | **2022E** |
| **EBITDA (adj) for associates** | **0** | **0** | **0** | **0** | **9** | **8** | **9** | **13** | **14** | **19** | **22** |
| Paid taxes | 0 | 0 | 0 | 0 | 0 | 0 | -2 | -2 | -3 | -4 | -4 |
| Net financials | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -6 | -2 | -1 | -1 |
| Change in provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in other LT non-IB | 0 | 0 | 0 | 0 | 3 | -3 | 2 | -2 | 0 | 0 | 0 |
| Cash flow to/from associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid to minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other adj to reconcile to cash flow | 0 | 0 | 0 | 0 | -11 | -6 | -2 | 1 | 0 | 0 | 0 |
| **Funds from operations (FFO)** | **0** | **0** | **0** | **0** | **0** | **0** | **6** | **5** | **10** | **14** | **16** |
| Change in NWC | 0 | 0 | 0 | 0 | 0 | 0 | -2 | -3 | -2 | -4 | -2 |
| **Cash flow from operations (CFO)** | **0** | **0** | **0** | **0** | **0** | **0** | **3** | **2** | **8** | **10** | **14** |
| Capital expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Free cash flow before A&D** | **0** | **0** | **0** | **0** | **0** | **0** | **3** | **1** | **8** | **10** | **14** |
| Proceeds from sale of assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -65 | -14 | 0 | 0 |
| Free cash flow | 0 | 0 | 0 | 0 | 0 | 0 | 2 | -63 | -7 | 10 | 14 |
| Free cash flow bef A&D, lease adj | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 8 | 10 | 14 |
| | | | | | | | | | | | |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -3 | -3 |
| Equity issues / buybacks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44 | 5 | 0 | 0 |
| Net change in debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42 | -5 | -5 | -5 |
| Other financing adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-cash adjustments | 0 | 0 | 0 | 0 | 1 | 1 | -2 | 4 | 0 | 0 | 0 |
| Change in cash | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 27 | -8 | 2 | 5 |
| | | | | | | | | | | | |
| **Cash flow metrics** | | | | | | | | | | | |
| Capex/D&A | n.m. | n.m. | n.m. | n.m. | 0.0% | 0.0% | 6.9% | 7.3% | 5.5% | 5.4% | 5.5% |
| Capex/Sales | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.3% | 0.4% | 0.4% | 0.3% | 0.3% |
| | | | | | | | | | | | |
| **Key information** | | | | | | | | | | | |
| Share price year end (/current) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 8 | 6 | 6 | 6 |
| Market cap. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 101 | 114 | 114 | 114 |
| Enterprise value | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 136 | 152 | 145 | 134 |
| Diluted no. of shares, year-end (m) | 0.0 | 0.0 | 0.0 | 0.0 | 9.1 | 9.1 | 9.1 | 12.3 | 17.9 | 17.9 | 17.9 |

*Source: Company data and Nordea estimates*

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### Completion Date

*01 Apr 2020, 21:55 CET*


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