

Relais Group Oyj

Consumer Goods
Finland

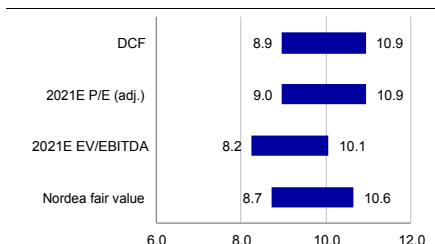
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 8.68
Free Float	30%
Market cap. (bn)	EUR 0.15/EUR 0.15
Website	www.relais.fi
Next report date	

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	9%	3%	0%
EBIT (adj)	38%	7%	-1%

Source: Nordea estimates

Nordea Markets - Analysts

Joni Sandvall
AnalystSvante Krokfors
Analyst

Passing the first test of resilience

Despite negative COVID-19 effects and a mild winter in Scandinavia, Relais sales increased 56% y/y in H1. The company was able to restructure its operations in order to gain synergies from acquisitions, while other cost-saving measures benefited the company in the latter part of H1. New vehicle-related sales were negatively affected by COVID-19, while defensive characteristics were apparent as demand for spare parts was strong. Given the strong H1, the company reinstated the EUR 0.10 dividend proposal for 2019, which increases confidence before the seasonally larger H2. Despite near-term uncertainties, the growth strategy of Relais seems to be intact, with strong cash conversion and resilient end-markets.

Strong H1 despite mild winter and COVID-19

Relais turned in a strong H1 report; net sales were up 56% y/y, driven by the acquisitions, but the company noted that it had also witnessed organic growth, especially within spare parts in Sweden. H1 EBITA was EUR 7.5m, while we had expected EUR 5.3m. In addition to temporary cost measures, the company has reorganised its operations, mainly in Sweden, and we expect these measures to account for more than the temporary cost measures seen in H1. Relais reports only twice a year, and the company noted that mild winter had negative effect especially on electric spare parts sales in Finland. Despite near-term uncertainties, we expect Relais is well positioned for H2, even if the COVID-19 situation worsens.

Business model appears more resilient than we anticipated

We raise our 2020E-21E estimates while keeping our 2022E estimates largely intact. We had earlier anticipated a significant drop in organic sales and EBITA margin in 2020, followed by clear recovery in 2021. But Relais's operations seem more resilient than we had anticipated and thus we raise our sales estimates by 3-9% and EBITA estimates by 8-25% for 2020-21. We now forecast 28% sales growth in 2020, of which 1% is organic.

2021E EV/EBITDA of ~8x – fair value range EUR 8.7-10.6

Based on our estimates, Relais currently trades with a 2021E EV/EBITDA of ~8x, around a 25% discount to European peers at ~11x. Free cash flow yields for 2021E-22E are 9-11%. Based on average of DCF, EV/EBITDA and P/E valuations, 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 8.7-10.6 (7.8-9.5) per share.

SUMMARY TABLE - KEY FIGURES

EURm	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	59	60	72	99	126	135	140
EBITDA (adj)	11	8	9	13	19	21	23
EBIT (adj)	8	6	6	8	11	13	15
EBIT (adj) margin	14.4%	10.2%	7.9%	7.9%	8.4%	10.0%	10.8%
EPS (adj, EUR)	0.40	0.42	0.34	0.29	0.28	0.42	0.50
EPS (adj) growth	n.a.	3.9%	-17.9%	-13.6%	-6.6%	54.2%	18.2%
DPS (ord, EUR)	0.00	0.00	0.00	0.10	0.15	0.20	0.24
EV/Sales	n.a.	n.a.	n.a.	1.4	1.5	1.4	1.2
EV/EBIT (adj)	n.a.	n.a.	n.a.	17.3	18.3	13.7	11.3
P/E (adj)	n.a.	n.a.	n.a.	28.0	31.5	20.5	17.3
P/BV	n.a.	n.a.	n.a.	1.6	2.1	2.0	1.9
Dividend yield (ord)	n.a.	n.a.	n.a.	1.2%	1.7%	2.3%	2.8%
FCF Yield bef A&D, lease	n.a.	n.a.	n.a.	1.4%	3.9%	8.6%	10.3%
Net debt	22	22	18	35	39	28	16
Net debt/EBITDA	2.5	2.6	2.0	2.6	2.1	1.3	0.7
ROIC after tax	35.3%	12.4%	11.1%	8.0%	6.9%	8.4%	10.1%

Source: Company data and Nordea estimates

Q2 deviation and result takeaways

Relais reported a strong H1 despite negative COVID-19 effects and a mild winter. Net sales were EUR 59m and EBITA was EUR 7.5m. New vehicle-related sales were down, while spare parts sales were strong during in H1. The company reinstated its EUR 0.10 dividend proposal for 2019 after withdrawing it before the AGM. Acquisitions benefited the company both on sales and EBITA. Due to uncertainties related to COVID-19, the company could not offer new guidance for 2020, while long-term targets remain intact.

12% top line and 42% EBITA beat versus our estimates

H1 sales and EBITA above our expectations

Relais reported H1 net sales of EUR 59m, 12% above our estimate. As the company reports according to FAS, and does amortisations for goodwill, the key line to follow is EBITA. H1 EBITA came in at EUR 7.5m, 42% above our estimate, and benefited from reorganisations and from an adjusted cost-base during the latter part of H1. EPS was EUR 0.06, while amortisation adjusted EPS was 0.29. The company reinstated the EUR 0.10 dividend proposal, which it had withdrawn before the AGM in May. As we view Relais as a growth company that seeks one or two bolt-on acquisitions annually, we do not view the dividend level as being relevant at the moment. Despite this, the reinstated dividend increases confidence for the more important second half of the year (more lighting solutions are sold during fall and winter months).

Two acquisitions in H1; liquidity remains strong

Cash conversion (free cash flow/EBITDA) was strong at 94% (1% a year ago), which we see as positive since the company is actively looking for acquisitions to meet its 2024 implicit revenue target of EUR ~240m. Relais acquired TD Tunga Delar and SEC Scandinavia in H1. TD Tunga Delar is a Swedish-based wholesaler of spare parts and equipment for heavy-duty commercial vehicles, while SEC Scandinavia is an importer and wholesaler specialising in auxiliary and working lights, power management systems and automotive camera systems for commercial vehicles. Relais plans to buy one or two companies annually, and we believe the current market environment is favourable for Relais to expand its operations at a faster pace. Cash position stands at EUR 26.4m at the end of H1, while the company also has a EUR 7m multi-currency revolving credit facility that can be used to check account credit limits and bank guarantees, etc.

Threat of increased competition seems low

We make the following remarks after the conference call:

- Despite the fact that the company does not currently provide organic growth figures, we think it has probably been in the black on organic growth in H1. Swedish spare part sales have been strong throughout H1, while after an initial drop during April-May, spare parts demand in Finland was strong. New vehicle-related sales were burdened in H1 (equipment sales for commercial vehicles like vans), but as demand appears to be picking up (based on new registrations), the H2 outlook is more promising.
- Regarding a second wave of COVID-19, the company is not overly worried and viewed itself as more prepared. During spring, the main worries were related to availability of components, while the company has now advanced its important lighting solution purchases, which is why we don't see a big threat to availability. According to the company, freight costs have remained intact.
- The company has not seen any changes in the competitive landscape. Amazon has announced its plans to enter the Swedish market (which will most likely involve the all of the Nordics, we note), although we do not see this as a threat for Relais. The company is not directly exposed to the consumer market, and Amazon could, in fact, even offer new sales channel for Relais's lighting solutions, we note.

H1 DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	H1 2020	H1 2020	vs. actual		H1 2020	vs. actual		H2 2019	h/h	H1 2019	y/y
Sales	59.0	52.4	7	12%	53	7	11%	61.2	-4%	37.7	56%
Gross profit	20.3	17.0	3	19%				20.7	-2%	12.4	65%
Gross margin	34.5%	32.5%	2.0pp					33.8%	0.7pp	32.8%	1.7pp
Adj. EBITA	7.5	5.3	2.2	42%	6.1	1.4	23%	9.1	-18%	3.9	93%
Adj. EBITA margin	12.7%	10.1%	2.6pp		11.5%	1.2pp		14.9%	-2.2pp	10.3%	2.4pp
EBITA	7.5	5.3	2.2	42%				9.1	-18%	3.9	93%
EBITA margin	12.7%	10.1%	262%					14.9%	-2.2pp	10.3%	2.4pp
EBIT	3.7	1.9	1.8	94%	2.8	1.8	29%	5.7	-35%	2.2	68%
EBIT margin	6.2%	3.6%	261%		5.4%	0.9pp		9.3%	-3.0pp	5.8%	0.4pp
PTP	2.3	1.0	1.28	123%	2.1	1.3	12%	2.3	2%	0.2	878%
Adj. EPS	0.29	0.19	53%					0.41	-30%	0.32	-8%
EPS	0.06	0.00	n.m.		0.05	0.06	20%	0.05	12%	-0.03	-300%
DPS	0.10	0.00									

Source: Company data and Nordea estimates

Estimate revisions and financial targets

Guidance for 2020

Relais withdrew its financial guidance on 26 March amid COVID-19 and currently does not offer guidance for 2020. Previously, the 2020 guidance indicated clearly increasing net sales and operating profit, excluding amortisation of goodwill. We currently forecast a 28% increase in net sales and EUR 18.3m in adjusted EBITA (after EUR 13m in 2019).

Estimate revisions

We lift our top-line estimate by 9% for 2020, while we nudge up our 2021 net sales estimate by 3%. On an adjusted EBITA level, we raise our 2020 estimate by 25%. For 2021-22, we raise our adjusted EBITA estimate 2-8%. We no longer anticipate a large drop in sales in 2020, leading to a lower rebound in 2021-22. We keep our 2020-22 dividend estimates intact, but note that if the company is able to renegotiate its financial agreement, which limits dividend payments, there is upward pressure in our dividend estimates.

ESTIMATE REVISIONS

EURm	New estimates				Old estimates				Difference %			
	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E
Sales	67.4	126	135	140	63.9	116	131	140	5%	9%	3%	0%
Gross profit	23.1	43	46	48	21.0	38	44	48	10%	14%	5%	2%
Gross margin	34.3%	34.4%	34.5%	34.6%	32.9%	32.7%	33.9%	34.0%	1.4pp	1.7pp	0.6pp	0.6pp
Adj. EBITA	10.8	18.3	21.0	22.8	9.3	14.6	19.5	22.2	16%	25%	8%	2%
Adj. EBITA margin	16.0%	14.5%	15.6%	16.3%	14.6%	12.5%	14.9%	15.9%	1.5pp	1.9pp	0.7pp	0.4pp
EBITA	10.8	18.3	21.0	22.8	9.3	14.6	19.5	22.2	16%	25%	8%	2%
EBITA margin	16.0%	14.5%	15.6%	16.3%	14.6%	12.5%	14.9%	15.9%	1.5pp	1.9pp	0.7pp	0.4pp
EBIT	7.0	10.7	13.4	15.1	5.8	7.7	12.5	15.3	20%	38%	7%	-1%
EBIT margin	10.4%	8.4%	10.0%	10.8%	9.1%	6.6%	9.6%	10.9%	1.3pp	1.8pp	0.4pp	-0.1pp
PTP	6.1	8.4	11.9	13.6	5.0	6.0	11.1	13.8	22%	40%	8%	-1%
EPS	0.22	0.28	0.42	0.50	0.17	0.18	0.40	0.52	26%	57%	7%	-3%
DPS		0.15	0.20	0.24		0.15	0.20	0.24		0%	0%	0%

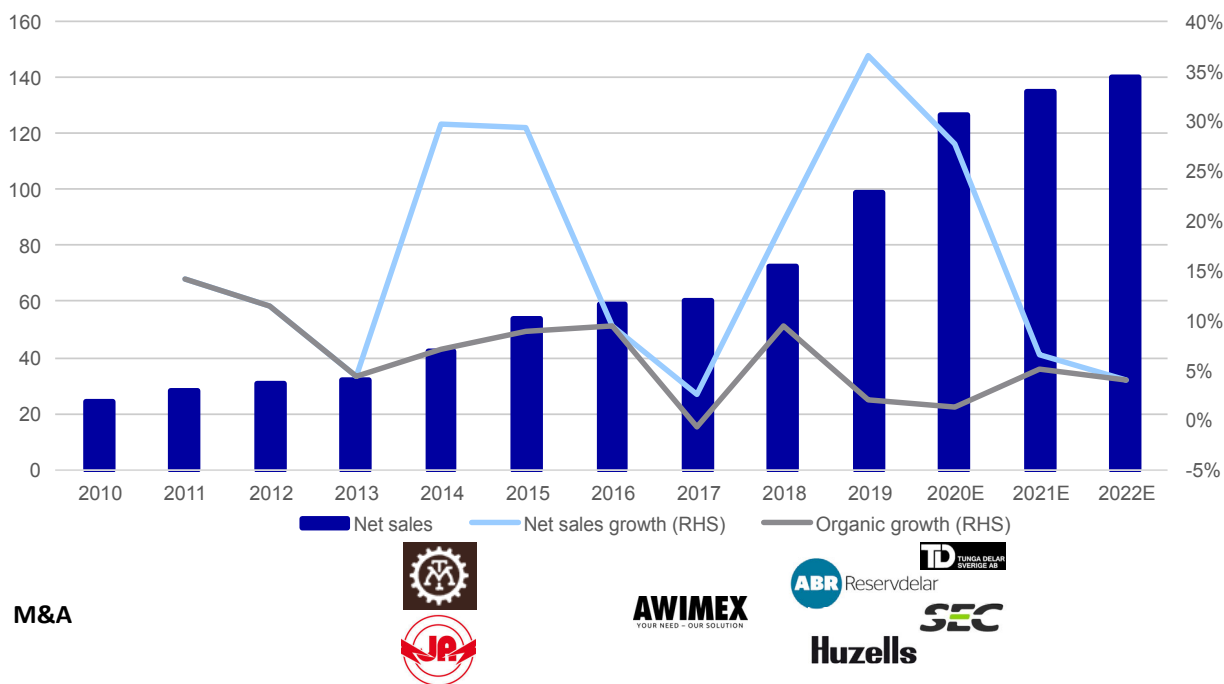
Source: Nordea estimates

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 aftermarket 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 by 2024, 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 one to two 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 continue to test the defensive characteristics of Relais' target market. We currently forecast a 1% increase in organic sales in 2020, followed by faster growth in 2021-22, driven by market recovery and synergies from the acquisitions. Using a combination of valuation methods, we arrive at a fair value of EUR 8.7-10.6 per share for Relais.

Market growth has been 1-3% in recent years	<p>Relais operates in the growing independent aftermarket</p>
	<p>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. However, the current COVID-19 pandemic will most likely burden the market growth in 2020 due to lower new vehicle registrations affecting equipment and spare parts sales. Nordic and Baltic cars parts 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.</p>
Relais seeks to consolidate the fragmented market	<p>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. In addition, the company acquired SEC Scandinavia and TD Tunga Delar in 2020.</p>
	<p>The target market has defensive characteristics</p>
	<p>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).</p>
The number of vehicles in the target market increased with a ~2% CAGR in 2015-18	<p>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.</p>
Target market is characterised by older cars	<p>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.</p>

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

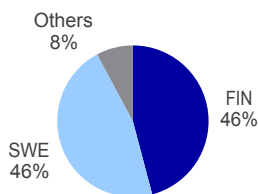
Relais currently has ~150,000 stock keeping units (SKU). The company offers its B2B clients a wide offering of global brands, in addition to its comprehensive range of private-label products, especially within lighting solutions. We estimate that private label accounts for some 20% of group sales, and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

						
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 one to two 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

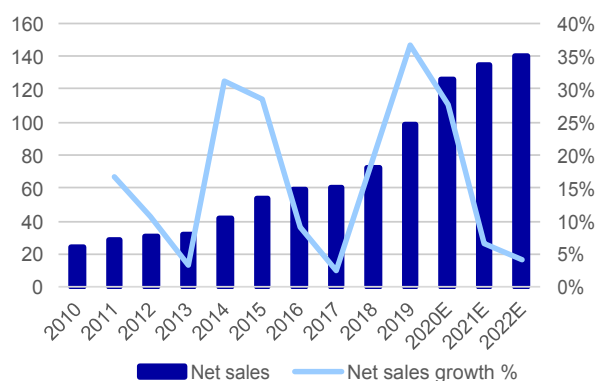
We expect organic sales to grow 1% in 2020 and 4-5% in 2021-22...

As a result of the recent acquisitions, Relais top-line growth should continue strong in 2020. However, due to COVID-19, we forecast only 1% top-line growth in 2020 on an organic basis, followed by 4-5% growth in 2021-22. Underlying demand for spare parts has held up well during the crisis, while we expect a fairly fast recovery for commercial vehicle registrations. Cross-selling opportunities with acquired businesses should further support sales.

...with a 3.1 bp EBITA margin improvement

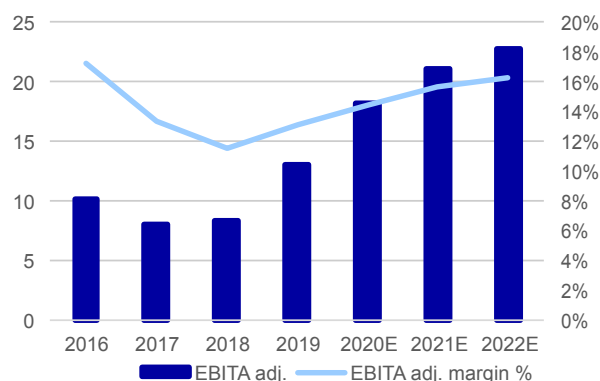
We forecast improving EBITA margins, mainly driven by scale benefits in sourcing and higher underlying margins in ABR and Huzells. In addition, the company has been reorganising its operations, mainly in Sweden. The company has a proprietary digital platform that should support margin expansion, new customer acquisition and customer retention. Relais' adjusted EBITA was 13.1% in 2019; we forecast a 3.1 bp improvement to 16.3% 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

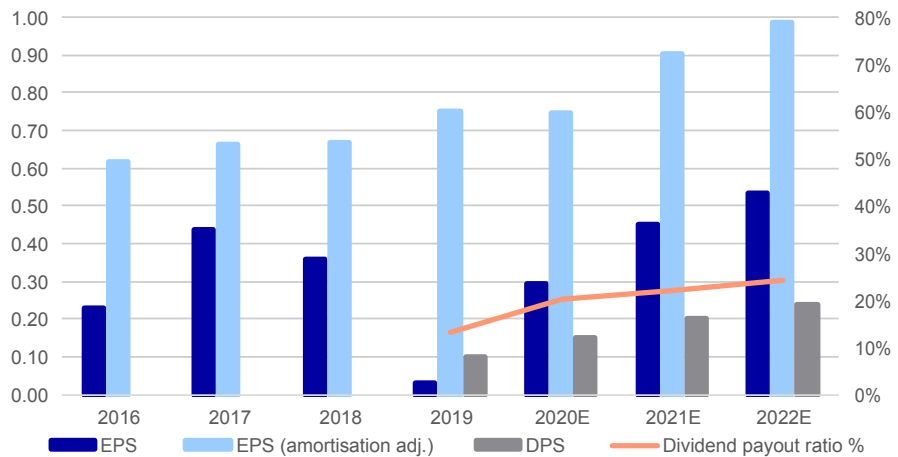
FAS accounting burdens reported EPS

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 ~22% 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 22% 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 11.6 million, and for 2020E-22E, the average number of shares is 16.8 million.
Source: Company data and Nordea estimates

Balance sheet and cash flows

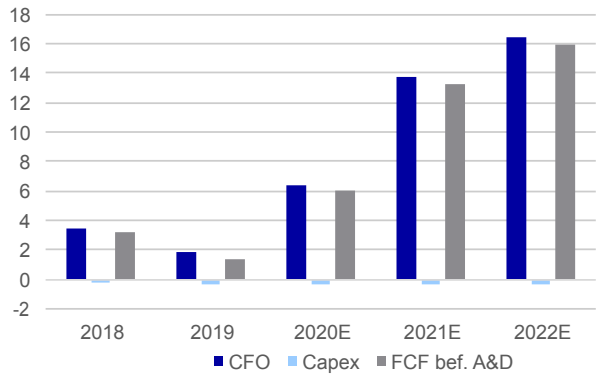
Balance sheet deleveraged after the IPO

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.

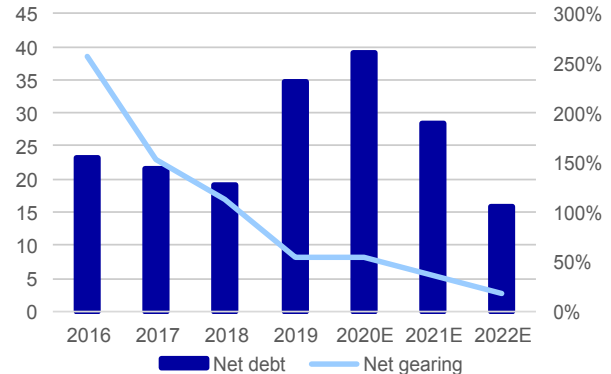
Low capital expenditures

Cash flow of EUR 2m from operations was burdened by IPO costs in 2019. For 2020, we expect EUR 6m, with a EUR -7m impact from increased inventories as the company facilitates cross-selling in the acquired businesses, and has prepared for possible COVID-19 related shortages. Due to low capital expenditure (we forecast around EUR 0.4m annually in 2020-22), we expect strong free cash flow yields of around 9-11% in 2021-22.

CASH FLOWS (EURm)



NET DEBT AND GEARING (EURm AND %)



Source: Company data and Nordea estimates

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 8.7-10.6 (7.8-9.5) 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	1.1x	1.2x	1.1x	10.2x	12.0x	10.5x	13.3x	16.7x	13.8x	17.8	23.3	18.3
Auto Partner Sa	0.8x	0.7x	0.5x	9.6x	9.0x	8.3x	14.5x	10.5x	9.8x	16.0		
Autozone Inc	2.6x	2.7x	2.6x	12.0x	12.8x	12.1x	14.0x	15.1x	14.3x	17.3	18.2	16.4
Inter Cars Sa	0.5x	0.5x	0.5x	10.0x	12.5x	11.8x	13.9x	13.6x	15.8x	14.4	13.6	10.3
Camping World Holdings Inc	0.8x	0.9x	0.8x	25.0x	10.1x	10.2x	28.4x	12.0x	12.7x		15.1	14.1
Dometic Group Ab (Publ)	2.1x	2.4x	2.1x	12.2x	16.3x	11.9x	16.5x	24.1x	15.7x	22.4	43.2	21.0
Halfords Group Plc	0.7x	0.8x	0.7x	4.8x	10.9x	8.6x	10.6x	37.9x	28.8x	5.0	18.7	11.0
Mekonomen Ab	0.9x	0.9x	0.8x	6.3x	7.0x	6.4x	11.7x	17.2x	13.5x	8.0	10.3	7.8
O'Reilly Automotive Inc	3.5x	3.4x	3.3x	16.1x	14.7x	14.9x	18.4x	16.9x	17.1x	24.2	21.8	21.2
Thule Group Ab	4.3x	4.3x	4.0x	22.2x	22.8x	19.5x	24.7x	25.8x	21.7x	31.0	32.9	27.6
Peer group average	1.7x	1.8x	1.7x	12.9x	12.8x	11.4x	16.6x	19.0x	16.3x	17.3	21.9	16.4
Peer group median	1.0x	1.0x	1.0x	11.1x	12.3x	11.2x	14.3x	16.8x	15.0x	17.3x	18.7x	16.4x
US peers' average	2.0x	2.0x	2.0x	15.8x	12.4x	12.0x	18.5x	15.2x	14.5x	19.8x	19.6x	17.5x
European peers' average	1.5x	1.6x	1.4x	10.9x	13.1x	11.1x	15.3x	21.5x	17.5x	16.1x	23.7x	15.5x
Relais (Nordea)	1.8x	1.5x	1.3x	9.8x	9.9x	8.1x	22.1x	16.9x	13.5x	31.5x	20.5x	17.3x

Source: Refinitiv

EV/EBITDA-based valuation of EUR 8.2-10.1 per share

Based on our EUR 21.4m EBITDA estimates for 2021 and an accepted valuation multiple range of 7.8-9.2x (midpoint: 8.5x), we arrive at a fair value range of EUR 8.2-10.1 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 9.0-10.9 per share

Using our EUR 0.90 amortisation-adjusted EPS estimates for 2021, we arrive at a fair value range of EUR 9.0-10.9 per share using P/E multiples of 9.9-12.1x (midpoint: 11.0x).

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 78m, we calculate an equity value of EUR 10.8 per share when using an EV/EBITDA multiple of 8.5x, which discounted to the end of 2020 equals EUR 10.8.

However, with similar assumptions and when using the US peer group 2021 average

multiple of 12.0x, the equity value would be as high as EUR 23.6 per share, which discounted to the end of 2020 equals EUR 17.2.

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 8.9-10.9 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 3.4% 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	2.0%
Market risk premium	4.5%
Forward looking asset beta	nm
Beta debt	0.1
Forward looking equity beta	2.2-1.6
Cost of equity	12.1-9.3%
Cost of debt	4.0%
Tax-rate used in WACC	30%
Equity weight	50%
WACC	7.4-6.1%

Source: Nordea estimates

DCF VALUATION		
DCF value	Value	Per share
NPV FCFF	192	10.4-12.4
(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	10	0.6
DCF Value	150-184	8.9-10.9

Source: Nordea estimates

DCF ASSUMPTIONS							
Averages and assumptions	2020-25	2026-30	2031-35	2036-40	2041-45	2046-50	Sust.
Sales growth, CAGR	3.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBIT-margin, excluding associates	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	4.5%
Capex/depreciation, x	0.1	0.20	1.00	1.00	1.00	1.00	1.00
Capex/sales	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
NWC/sales	40%	40%	40%	40%	40%	40%	40%
FCFF, CAGR	-221.2%	0.6%	2.0%	2.0%	2.0%	-20.2%	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 8.7-11.4 per share.

SENSITIVITY OF OUR DCF MODEL

		WACC				
		6.2%	6.4%	6.7%	6.9%	7.2%
EBIT margin change	+0.5pp	11.4	10.9	10.4	10.0	9.5
	+0.3pp	11.1	10.6	10.2	9.7	9.3
		10.9	10.4	9.9	9.5	9.1
	-0.3pp	10.6	10.1	9.7	9.3	8.9
	-0.5pp	10.3	9.9	9.5	9.1	8.7

		WACC				
		6.2%	6.4%	6.7%	6.9%	7.2%
Sales growth change	+0.5pp	11.2	10.7	10.2	9.8	9.4
	+0.3pp	11.0	10.5	10.1	9.6	9.2
		10.9	10.4	9.9	9.5	9.1
	-0.3pp	10.7	10.3	9.8	9.4	9.0
	-0.5pp	10.6	10.1	9.7	9.3	9.0

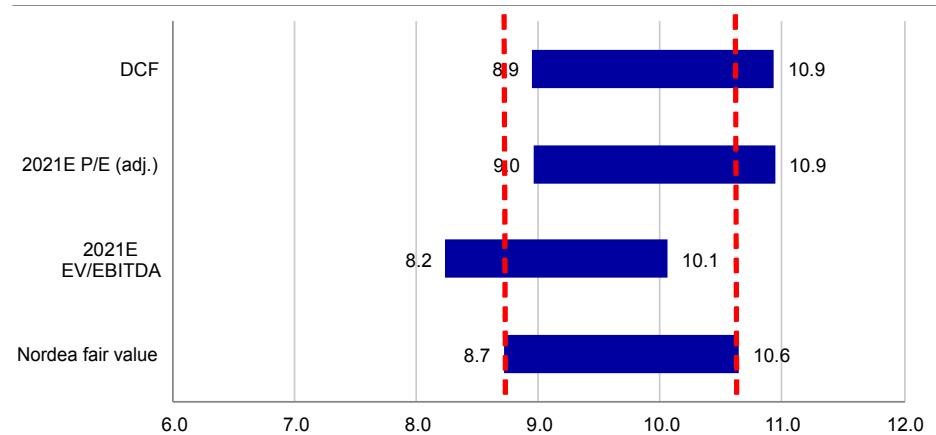
		Sales growth change				
		-0.5pp	-0.3pp	+0.3pp	+0.5pp	
EBIT margin change	+0.5pp	10.1	10.3	10.4	10.5	10.7
	+0.3pp	9.9	10.0	10.2	10.3	10.4
		9.7	9.8	9.9	10.1	10.2
	-0.3pp	9.5	9.6	9.7	9.8	9.9
	-0.5pp	9.3	9.4	9.5	9.6	9.7

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 8.7-10.6 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

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 have traded on average with higher valuation multiples, but currently trade fairly in line with European peers on EV/EBITDA. US companies trade on average with a 2020E-21E EV/EBITDA of 12.4-12.0x versus European peers at 11.1-13.1x. The US companies are on average more profitable than their European counterparts.

PEER OVERVIEW

	Country	Price Local	Mcap EURm	EV EURm	EV / Sales			EV / EBITDA			EV/EBIT		
					2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E
Peer group													
Advance Auto Parts Inc	USA	156	9,126	9,550	1.1x	1.2x	1.1x	10.2x	12.0x	10.5x	13.3x	16.7x	13.8x
Auto Partner Sa	Poland	8	222	270	0.8x	0.7x	0.5x	9.6x	9.0x	8.3x	14.5x	10.5x	9.8x
Autozone Inc	USA	1187	23,477	28,176	2.6x	2.7x	2.6x	12.0x	12.8x	12.1x	14.0x	15.1x	14.3x
Inter Cars Sa	Poland	235	755	1,075	0.5x	0.5x	0.5x	10.0x	12.5x	11.8x	13.9x	13.6x	15.8x
Camping World Holdings Inc	USA	33	2,501	3,717	0.8x	0.9x	0.8x	25.0x	10.1x	10.2x	28.4x	12.0x	12.7x
Dometic Group Ab (Publ)	Sweden	97	2,803	3,635	2.1x	2.4x	2.1x	12.2x	16.3x	11.9x	16.5x	24.1x	15.7x
Halfords Group Plc	UK	171	376	920	0.7x	0.8x	0.7x	4.8x	10.9x	8.6x	10.6x	37.9x	28.8x
Mekonomen Ab	Sweden	79	435	955	0.9x	0.9x	0.8x	6.3x	7.0x	6.4x	11.7x	17.2x	13.5x
O'Reilly Automotive Inc	USA	461	28,928	31,826	3.5x	3.4x	3.3x	16.1x	14.7x	14.9x	18.4x	16.9x	17.1x
Thule Group Ab	Sweden	264	2,693	2,857	4.3x	4.3x	4.0x	22.2x	22.8x	19.5x	24.7x	25.8x	21.7x
Peer group average					1.7x	1.8x	1.7x	12.9x	12.8x	11.4x	16.6x	19.0x	16.3x
Peer group median					1.0x	1.0x	1.0x	11.1x	12.3x	11.2x	14.3x	16.8x	15.0x
US peers' average					2.0x	2.0x	2.0x	15.8x	12.4x	12.0x	18.5x	15.2x	14.5x
European peers' average					1.5x	1.6x	1.4x	10.9x	13.1x	11.1x	15.3x	21.5x	17.5x
Relais (Nordea)	Finland	8.3	140	181	1.8x	1.5x	1.3x	9.8x	9.9x	8.1x	22.1x	16.9x	13.5x

Note: closing prices and market capitalisations as of 13 August 2020

Source: Refinitiv

We would 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 14.3-15.6% versus European peers' average of 10.7-11.7%. US peers are also trading with 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%	-6.7%	2.0%	10.1%	10.6%	9.7%	10.8%	0.2%	0.2%	0.2%	0.2%
Auto Partner Sa	22.9%	26.0%	20.1%	23.3%	7.8%	8.3%	7.4%	6.5%	0.3%	0.0%		
Autozone Inc	1.1%	11.9%	-4.3%	4.4%	22.2%	21.7%	21.3%	21.5%	0.0%	0.0%	0.0%	0.0%
Inter Cars Sa	12.2%	11.6%	-3.2%	3.9%	4.9%	5.2%	4.3%	4.4%	0.3%	0.0%	0.3%	0.3%
Camping World Holdings Inc	13.1%	5.6%	-1.8%	4.6%	6.7%	3.4%	8.5%	8.0%	1.9%	1.9%	1.0%	1.4%
Dometic Group Ab (Publ)	21.2%	-0.8%	-11.6%	13.5%	17.9%	17.1%	14.4%	17.4%	2.2%	2.2%	0.9%	1.9%
Halfords Group Plc	2.1%	-0.5%	-6.6%	4.1%	9.4%	14.6%	6.9%	8.4%	11.3%	7.5%	0.7%	3.2%
Mekonomen Ab	21.7%	47.2%	0.2%	4.4%	9.5%	13.5%	12.2%	13.0%	0.0%	0.0%	0.2%	2.2%
O'Reilly Automotive Inc	6.4%	11.6%	2.7%	3.2%	21.7%	21.6%	23.1%	22.1%	0.0%	0.0%	0.0%	0.0%
Thule Group Ab	1.1%	6.8%	-1.1%	8.3%	19.1%	19.3%	19.1%	20.6%	2.7%	2.8%	2.3%	2.9%
Peer group average	10.6%	12.4%	-1.2%	7.2%	12.9%	13.5%	12.7%	13.3%	1.9%	1.5%	0.6%	1.3%
Peer group median	9.3%	9.2%	-2.5%	4.4%	9.8%	14.1%	10.9%	11.9%	0.3%	0.1%	0.3%	1.4%
US peers' average	6.2%	8.6%	-2.5%	3.6%	15.2%	14.3%	15.6%	15.6%	0.5%	0.5%	0.3%	0.4%
European peers' average	13.5%	15.0%	-0.4%	9.6%	11.4%	13.0%	10.7%	11.7%	2.8%	2.1%	0.9%	2.1%
Relais (Nordea)	19.9%	36.6%	27.7%	6.6%	12.1%	13.5%	14.8%	15.9%		1.2%	1.7%	2.3%

Source: Refinitiv

Detailed estimates

DETAILED ESTIMATES

EURm	H1 19	H2 19	H1 20E	H2 20E	H1 21E	H2 21E	2017	2018	2019	2020E	2021E	2022E
Net sales	38	61	59	67	64	71	60	72	99	126	135	140
Sales growth	12%	58%	56%	10%	8%	5%	3%	20%	37%	28%	7%	4%
of which organic	3%	1%	3%	0%	5%	5%	-1%	10%	2%	1%	5%	4%
of which structural	9%	58%	54%	9%	2%	0%	3%	10%	36%	26%	1%	0%
Other operating income	0.2	0.3	0.4	0.2	0.2	0.2	0.2	0.4	0.5	0.6	0.4	0.4
Materials and services	-25	-41	-39	-44	-42	-46	-40	-48	-66	-83	-88	-92
Gross profit	12.4	20.7	20.3	23.1	22.1	24.4	20.9	24.3	33.1	43.5	46.5	48.5
Gross margin %	32.8%	33.8%	34.5%	34.3%	34.6%	34.4%	34.6%	33.6%	33.4%	34.4%	34.5%	34.6%
Staff costs	-5	-7	-6	-7	-7	-8	-8	-10	-12	-13	-15	-17
Other operating costs	-3	-5	-5	-5	-6	-5	-5	-6	-8	-12	-11	-9
EBITDA	4.0	9.3	7.7	11.0	9.6	11.9	8.3	8.7	13.3	18.7	21.4	23.1
EBITDA margin %	10.7%	15.2%	13.1%	16.3%	15.0%	16.8%	13.8%	12.1%	13.5%	14.8%	15.9%	16.5%
D&A	-1.9	-3.6	-4.0	-4.0	-4.0	-4.0	-2.2	-3.0	-5.5	-8.1	-8.0	-8.0
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	-3.8	-3.8	-3.8	-3.8	-1.9	-2.7	-5.1	-7.6	-7.6	-7.6
EBITA	3.9	9.1	7.5	10.8	9.4	11.7	8.1	8.4	13.0	18.3	21.0	22.8
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	7.5	10.8	9.4	11.7	8.1	8.4	13.0	18.3	21.0	22.8
Adj. EBITA margin %	10.3%	14.9%	12.7%	16.0%	14.7%	16.5%	13.4%	11.6%	13.1%	14.5%	15.6%	16.3%
-growth y/y	10%	87%	93%	19%	25%	8%	-21%	4%	55%	41%	15%	8%
EBITA Bridge										5.3	2.7	1.7
Organic										0.5	2.4	2.1
FX										0.0	0.1	0.0
Structural										2.9	0.1	0.0
Cost vs price										1.9	0.1	-0.3
EBIT	2.2	5.7	3.7	7.0	5.6	7.9	6.1	5.7	7.9	10.7	13.4	15.1
EBIT margin %	5.8%	9.3%	6.2%	10.4%	8.7%	11.1%	10.2%	7.9%	7.9%	8.4%	10.0%	10.8%
Net financials	-1.9	-3.4	-1.4	-0.9	-0.8	-0.7	-0.8	-0.9	-5.4	-2.2	-1.5	-1.5
PTP	0.2	2.3	2.3	6.1	4.8	7.1	5.3	4.8	2.5	8.4	11.9	13.6
Tax	-0.4	-1.5	-1.3	-2.1	-1.8	-2.3	-1.4	-1.5	-1.9	-3.4	-4.1	-4.5
Minority interest	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.1	-0.2	-0.2
Net profit for equity	-0.3	0.7	0.9	3.9	2.9	4.7	3.8	3.1	0.4	4.9	7.6	9.0
Net profit	-0.2	0.7	1.0	4.0	3.0	4.8	3.9	3.3	0.6	5.1	7.8	9.2
EPS (undiluted)	-0.03	0.05	0.06	0.23	0.17	0.28	0.44	0.36	0.03	0.29	0.45	0.53
Adj. EPS (excl. amortization)	0.32	0.41	0.29	0.46	0.40	0.51	0.66	0.67	0.75	0.75	0.90	0.99
DPS									0.10	0.15	0.20	0.24

Source: Company data and 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.

A sluggish economy could negatively affect car service and spare parts sales	<p>General economy</p> <p>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.</p> <p>Currently, the outlook for the Nordic economies has worsened, 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.</p>
Competitors consolidating the market could hamper Relais' growth prospects	<p>Increasing competition</p> <p>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.</p>
Disturbances by suppliers may affect product availability	<p>Dependency on suppliers</p> <p>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.</p> <p>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.</p>
If not executed well, high M&A activity may increase costs	<p>Risks related to expansion</p> <p>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.</p>
Key employees leaving could lead to the loss of clients	<p>Dependency on key employees</p> <p>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.</p>
A share issue could dilute current shareholders' ownership	<p>Financial position</p> <p>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 and has a strong cash conversion ratio.</p>
Significant writedown of goodwill could worsen the financial position	<p>Substantial amount of intangible assets</p> <p>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</p>

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.

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

IT systems

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.

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	126	135	140
Revenue growth	10.7%	3.2%	31.3%	28.6%	9.1%	2.6%	19.9%	36.6%	27.7%	6.6%	4.0%
of which organic	11.4%	4.4%	7.0%	8.8%	9.5%	-0.8%	9.5%	2.0%	1.3%	5.0%	4.0%
of which FX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.1%	0.2%	0.8%	0.0%
EBITDA	0	0	0	0	9	8	9	13	19	21	23
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	18	21	23
Amortisation and impairments	0	0	0	0	-2	-2	-3	-5	-8	-8	-8
EBIT	n.a.	n.a.	n.a.	n.a.	7	6	6	8	11	13	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	-2	-2
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	8	12	14
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	5	8	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	5	8	9
EPS, EUR	n.a.	n.a.	n.a.	n.a.	0.22	0.42	0.34	0.03	0.28	0.42	0.50
DPS, EUR	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%	14.8%	15.9%	16.5%
EBITA	0.0%	0.0%	0.0%	0.0%	14.5%	13.4%	11.6%	13.1%	14.5%	15.6%	16.3%
EBIT	n.a.	n.a.	n.a.	n.a.	11.6%	10.2%	7.9%	7.9%	8.4%	10.0%	10.8%
Adjusted earnings											
EBITDA (adj)	0	0	0	0	11	8	9	13	19	21	23
EBITA (adj)	0	0	0	0	10	8	8	13	18	21	23
EBIT (adj)	0	0	0	0	8	6	6	8	11	13	15
EPS (adj, EUR)	n.a.	n.a.	n.a.	n.a.	0.40	0.42	0.34	0.29	0.28	0.42	0.50
Adjusted profit margins in percent											
EBITDA (adj)	0.0%	0.0%	0.0%	0.0%	18.0%	13.8%	12.1%	13.5%	14.8%	15.9%	16.5%
EBITA (adj)	0.0%	0.0%	0.0%	0.0%	17.3%	13.4%	11.6%	13.1%	14.5%	15.6%	16.3%
EBIT (adj)	0.0%	0.0%	0.0%	0.0%	14.4%	10.2%	7.9%	7.9%	8.4%	10.0%	10.8%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	17.6%	16.0%	14.3%	17.8%	18.7%	18.5%	18.0%	18.3%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	19.1%	22.7%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.4%	19.8%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.2%	3.8%
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.	8.9%	8.9%	9.2%
Average EBITDA margin	n.a.	n.a.	0.0%	0.0%	4.1%	7.0%	9.0%	11.4%	13.9%	14.3%	14.9%

Adjusted earnings

EBITDA (adj)	0	0	0	0	11	8	9	13	19	21	23
EBITA (adj)	0	0	0	0	10	8	8	13	18	21	23
EBIT (adj)	0	0	0	0	8	6	6	8	11	13	15
EPS (adj, EUR)	n.a.	n.a.	n.a.	n.a.	0.40	0.42	0.34	0.29	0.28	0.42	0.50

Adjusted profit margins in percent

EBITDA (adj)	0.0%	0.0%	0.0%	0.0%	18.0%	13.8%	12.1%	13.5%	14.8%	15.9%	16.5%
EBITA (adj)	0.0%	0.0%	0.0%	0.0%	17.3%	13.4%	11.6%	13.1%	14.5%	15.6%	16.3%
EBIT (adj)	0.0%	0.0%	0.0%	0.0%	14.4%	10.2%	7.9%	7.9%	8.4%	10.0%	10.8%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	17.6%	16.0%	14.3%	17.8%	18.7%	18.5%	18.0%	18.3%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	19.1%	22.7%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.4%	19.8%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14.2%	3.8%
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.	8.9%	8.9%	9.2%
Average EBITDA margin	n.a.	n.a.	0.0%	0.0%	4.1%	7.0%	9.0%	11.4%	13.9%	14.3%	14.9%

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	31.5	20.5	17.3
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	10.4	8.6	7.4
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	10.6	8.7	7.5
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	18.3	13.7	11.3

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.	31.5	20.5	17.3
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.37	1.54	1.37	1.22
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	10.4	8.6	7.4
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	10.6	8.7	7.5
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	18.3	13.7	11.3
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.2%	1.7%	2.3%	2.8%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-61.8%	-5.5%	8.6%	10.3%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4%	3.9%	8.6%	10.3%
Payout ratio	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	319.0%	54.5%	47.1%	47.8%

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	61	54	46
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	61	53	45
Tangible assets	0	0	0	0	1	1	1	1	1	1	1
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	54	47
Inventory	0	0	0	0	26	27	29	43	49	51	52
Accounts receivable	0	0	0	0	5	8	8	12	13	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	5	5
Cash and bank	0	0	0	0	1	2	2	30	23	26	34
Total current assets	0	0	0	0	35	37	42	88	89	95	104
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	151	149	151
Shareholders equity	0	0	0	0	6	11	17	64	73	78	83
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	73	78	84
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	57	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	59	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	8	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	7	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	19	20	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	151	149	151
Balance sheet and debt metrics											
Net debt	0	0	0	0	22	22	18	35	39	28	16
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	52	54	55
Invested capital	0	0	0	0	34	36	37	101	114	109	102
Capital employed	0	0	0	0	32	37	37	128	134	132	133
ROE	n.m.	n.m.	n.m.	n.m.	64.1%	44.7%	22.7%	1.0%	7.2%	10.1%	11.1%
ROIC	n.m.	n.m.	n.m.	n.m.	35.3%	12.4%	11.1%	8.0%	6.9%	8.4%	10.1%
ROCE	n.m.	n.m.	n.m.	n.m.	53.4%	17.9%	15.7%	9.6%	8.4%	10.4%	11.7%
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	2.5	2.6	2.0	2.6	2.1	1.3	0.7
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%	48.2%	52.0%	55.2%
Net gearing	n.m.	n.m.	n.m.	n.m.	244.3%	152.2%	102.0%	54.3%	53.6%	36.2%	18.7%

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	19	21	23
Paid taxes	0	0	0	0	0	0	-2	-2	-3	-4	-4
Net financials	0	0	0	0	0	0	-1	-6	-2	-2	-2
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	13	16	17
Change in NWC	0	0	0	0	0	0	-2	-3	-7	-2	-1
Cash flow from operations (CFO)	0	0	0	0	0	0	3	2	6	14	16
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	6	13	16
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	-15	0	0
Free cash flow	0	0	0	0	0	0	2	-63	-9	13	16
Free cash flow bef A&D, lease adj	0	0	0	0	0	0	3	1	6	13	16
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	-3	-8	-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	-7	3	8
Cash flow metrics											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	0.0%	0.0%	6.9%	7.3%	5.0%	5.0%	5.0%
Capex/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.4%	0.3%	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	9	9	9
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	101	155	155	155
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	136	194	184	171
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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