

Relais Group Oyj

Consumer Goods
Finland

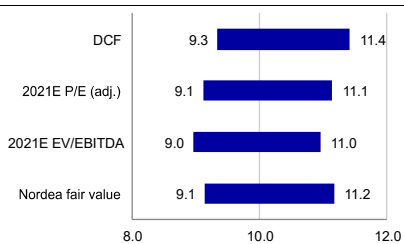
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 9.68
Free Float	36%
Market cap. (bn)	EUR 0.16/EUR 0.16
Website	www.relais.fi
Next report date	

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	1%	2%	2%
EBIT (adj)	4%	3%	2%

Source: Nordea estimates

Nordea Markets - Analysts

Joni Sandvall
AnalystSvante Krokfors
Analyst

Robust underlying demand set to continue

Despite an increase in COVID-19 cases, we think demand for Relais' products will remain robust during H2 and 2021. People seem to favour cars over public transportation, which should mitigate the slight pressure on new vehicle-related sales. We now forecast 2% organic sales growth in the seasonally important H2, followed by 4% organic growth in 2021E, helped by M&A synergies. We think the company is aiming for further acquisitions in 2020 and we think the 2024 financial targets are plausible through further M&A backed by good cash conversion and resilient end markets. We derive a fair value range of EUR 9.1-11.2 (8.7-10.6) per share.

Acquisitions could meaningfully boost sales and earnings

Relais is targeting one to two bolt-on acquisitions annually. The company is implicitly targeting around EUR 240m sales by 2024, which we find plausible if the company can continue to consolidate the market in line with our simulations. In addition, we think the COVID-19 situation might even open up new opportunities for larger acquisitions. Relais also made two bolt-on acquisitions in H1, and given the good momentum and cash conversion, we would not be surprised if it announces additional acquisitions this year. We do not include this in our model, but based on our simulations, acquisitions could add EUR 39m to net sales and EUR 5m to adjusted EBITA by 2022E while maintaining net debt/EBITDA at around 2x and year-end net gearing below 65%.

Traffic data indicates close to normalised levels

Amid COVID-19, we think people are favouring car travel over public transportation, which could boost aftermarket part sales. In addition, the 2019 winter season was warm in the Nordics, which had a negative impact on electrical part sales. We expect close to normal aftermarket part sales in H2, while we see possible upside from colder weather, which should boost battery sales. Given close to normal traffic levels and good consumer demand, we expect robust demand for important lighting solutions in H2 and H1 2021.

2021E EV/EBITDA of ~9x – fair value range of EUR 9.1-11.2

Based on our estimates, Relais currently trades at 2021E EV/EBITDA of ~9x, which is around a 20% discount to European peers at ~11x. Free cash flow yields for 2021E-22E are 8-10%. Based on an average of DCF, EV/EBITDA and P/E valuations, we derive a fair value range of EUR 9.1-11.2 (8.7-10.6) per share.

SUMMARY TABLE - KEY FIGURES

EURm	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	59	60	72	99	128	137	142
EBITDA (adj)	11	8	9	13	19	22	24
EBIT (adj)	8	6	6	8	11	14	16
EBIT (adj) margin	14.4%	10.2%	7.9%	7.9%	8.7%	10.1%	10.9%
EPS (adj, EUR)	0.40	0.42	0.34	0.29	0.30	0.44	0.52
EPS (adj) growth	n.a.	3.9%	-17.9%	-13.6%	0.5%	48.4%	17.8%
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	1.7	1.5	1.3
EV/EBIT (adj)	n.a.	n.a.	n.a.	17.3	19.1	14.7	12.2
P/E (adj)	n.a.	n.a.	n.a.	28.0	32.7	22.0	18.7
P/BV	n.a.	n.a.	n.a.	1.6	2.4	2.2	2.1
Dividend yield (ord)	n.a.	n.a.	n.a.	1.2%	1.5%	2.1%	2.5%
FCF Yield bef A&D, lease	n.a.	n.a.	n.a.	1.4%	3.4%	7.6%	9.4%
Net debt	22	22	18	35	39	28	16
Net debt/EBITDA	2.5	2.6	2.0	2.6	2.0	1.3	0.7
ROIC after tax	35.3%	12.4%	11.1%	8.0%	7.2%	8.6%	10.2%

Source: Company data and Nordea estimates

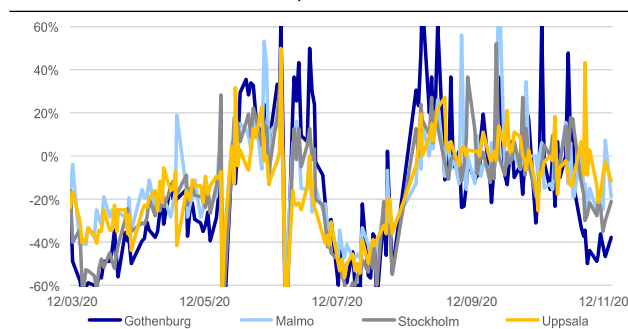
Traffic levels remain above spring levels

In this section, we examine traffic levels and car usage in Relais' main markets. We find that people's use of their own cars has remained close to normal levels during autumn despite increased COVID-19 cases and that people have favoured car travel over public transportation. The start of the winter season has so far been warm, as it was in 2019, while the possibility of colder weather could boost Relais' sales because of increased demand for batteries and other electric parts. We note that H2 is the most important part of the year for higher-margin lighting solutions.

Traffic levels close to normal levels

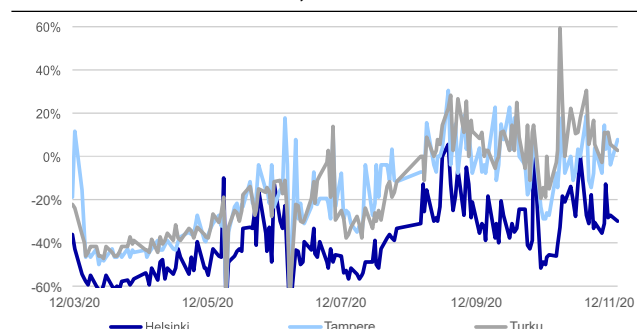
Traffic levels have normalised... Looking at data for Relais' key markets, we conclude that traffic levels are higher than in the spring and close to normal. Tom Tom traffic data indicates that in Finland, traffic levels have remained fairly normal outside of the capital region while in Sweden the recent uptick in COVID-19 cases has somewhat burdened traffic levels in major cities.

TRAFFIC LEVELS IN SWEDEN, Y/Y



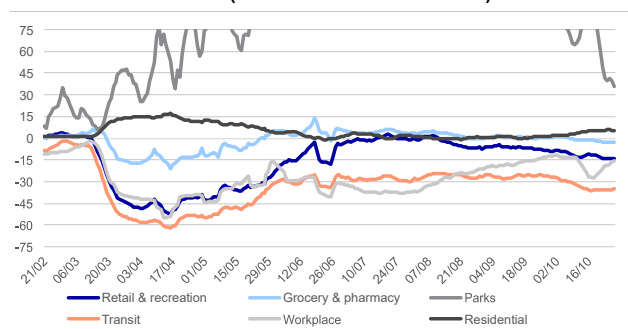
Source: Tom Tom and Nordea

TRAFFIC LEVELS IN FINLAND, Y/Y



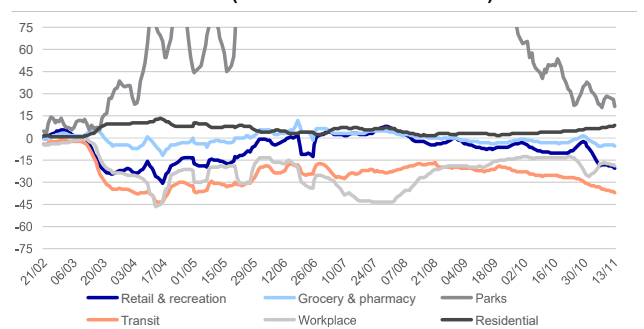
Source: Tom Tom and Nordea

MOBILITY IN FINLAND (% CHANGE TO BASELINE)



Source: Google

MOBILITY IN SWEDEN (% CHANGE TO BASELINE)

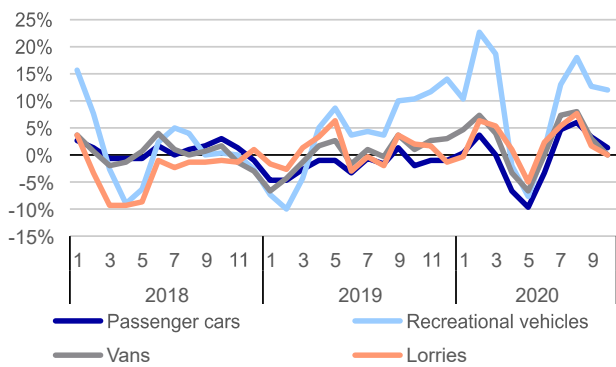


Source: Google

...which should support demand for car services

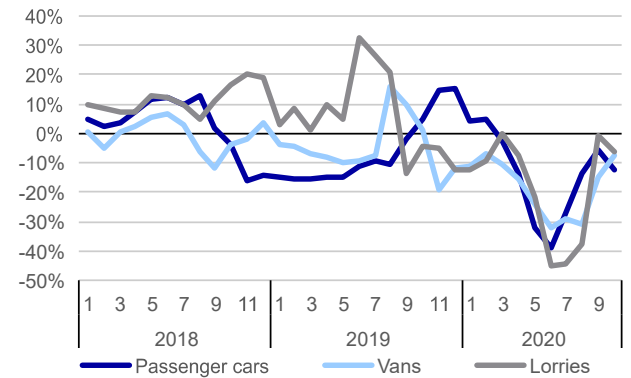
We argue that traffic data is a good indicator of economic activity. In addition, the need for car services is highly correlated with kilometres driven and it drives Relais' spare part sales. Based on Google mobility data and Nordea card data, we see that people have been favouring passenger cars over public transportation. This could boost used car sales as families may need second cars in order to avoid public transportation. When looking at new and used car sales in Finland, sales of used cars recovered quickly and have remained solid, while sales of new cars are lagging below last year's levels.

USED CAR SALES IN FINLAND (THREE-MONTH ROLLING CHANGE Y/Y)



Source: The Finnish Information Centre of Automobile Sector and Nordea

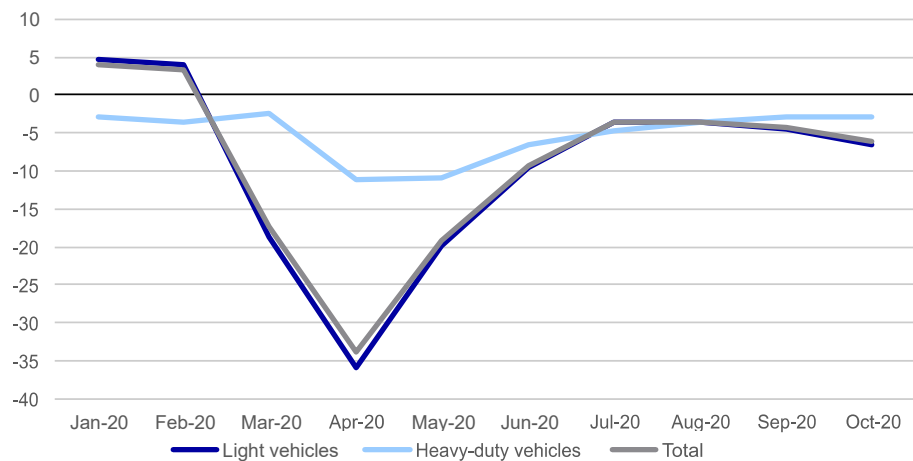
NEW CAR REGISTRATIONS IN FINLAND (THREE-MONTH ROLLING CHANGE Y/Y)



Source: Statistics Finland and Nordea

We also look at the use of the main roads in Finland in 2020. Overall traffic levels on the main roads dropped 34% y/y in April, while data from October shows that overall usage of main roads is down some 6% y/y. Slightly lower usage of main roads after the summer season is most likely due to COVID-19-driven remote working and more layoffs. We note, however, that current traffic levels are clearly higher than during the spring and we do not expect a similar y/y drop in traffic as seen then.

USAGE OF FINNISH MAIN ROADS BY CATEGORY (% CHANGE Y/Y)



Source: The Finnish Transport Infrastructure Agency and Nordea

A cold winter could boost sales of electric parts

Lighting solutions are important for Relais, with higher sales in the latter part of the year. We think that good demand for used cars and a relative increase in trips conducted with passenger cars could boost lighting solutions sales in H2. In addition, Relais specialises in electric parts, which also see higher demand during cold weather. The start of the 2019 winter season was warm, followed by a warm winter in the Nordics. If this winter is colder, we could see significantly higher demand for batteries.

When thinking about new car-related equipment sales, we note somewhat lower registration figures y/y, although when comparing to the spring, we conclude that the level is closer to normal. On the other hand, sales of recreational vehicles have been boosted by COVID-19, which could mitigate the impact on the commercial vehicle side.

H2 should face slight tailwinds from FX. Relais is mainly exposed to SEK, while the impact from the weak NOK is negligible on a group level.

Peer company Mekonomen back to organic growth

Relais' peer company Mekonomen reported its Q3 2020 results on 6 November. Reported net sales declined 1% y/y in Q3, while on an organic basis sales increased 3% y/y. The company has seen stabilised demand and expects robust underlying demand for its products and services to continue with only a limited impact from COVID-19 as long as markets are not closed down.

Peer company Mekonomen has seen stabilising demand...

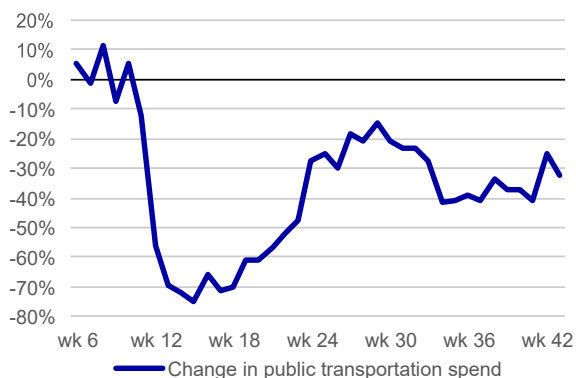
...although COVID-19 creates uncertainty

Despite COVID-19-related uncertainty, we find Mekonomen's Q3 result positive for Relais as it underpins a recovery in demand. In addition, the Meca/Mekonomen business unit reported an unchanged gross margin in Q3 due to price increases, indicating easier price competition. We note that Relais is not exposed to retail channels.

We expect normalising sales in H2 2020

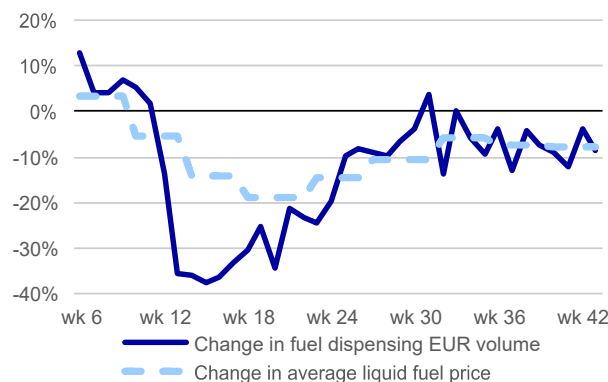
We expect normalising sales for Relais in H2 2020. Weak new car sales could hamper equipment sales, while good demand for used cars should support demand for aftermarket parts and lighting solutions. We forecast 2% y/y organic sales growth in H2 2020, while we forecast 12% reported sales growth driven by two acquisitions in H1. We think car services have normalised, and if the trend towards passenger cars over public transportation continues, we could see an even stronger boost in sales. The latest Nordea card data indicates that, when adjusted for lower fuel prices, fuel dispensing in Finland has remained stable y/y after the summer season. Card spend on public transportation, on the other hand, is currently down 30-40% y/y after COVID-19 cases started to increase after a calm summer.

PUBLIC TRANSPORTATION Y/Y CARD SPEND CHANGE IN FINLAND (%)



Source: Nordea

FUEL DISPENSING CARD VOLUMES AND FUEL PRICE Y/Y CHANGES IN FINLAND (%)



Source: Statistics Finland and Nordea

We are 1-4% above consensus on adjusted EBITA for 2020E-22E

We are fairly in line with Refinitiv consensus on sales, and 1-4% above on adjusted EBITA for 2020E-22E. On dividend per share, we are 13-25% below for 2020E-22E, most likely due to the company's financial agreement, which limits annual dividend payments to EUR 4m. We see a high likelihood that the company would renegotiate its financial agreement in the near term, after which we would see upward pressure on our DPS estimates.

OUR ESTIMATES VERSUS CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E
Sales	68.7	128	137	142	69	127	137	144	0%	0%	0%	-1%
Gross profit	23.6	44	47	49		44	47	49		0%	0%	0%
Gross margin	34.3%	34.4%	34.5%	34.6%		34.6%	34.3%	34.1%		-0.2pp	0.2pp	0.5pp
Adj. EBITA	11.3	18.8	21.4	23.1	10.6	18.0	21.0	23.0	6%	4%	2%	1%
Adj. EBITA margin	16.4%	14.7%	15.6%	16.3%	15.5%	14.2%	15.3%	16.0%	0.9pp	0.5pp	0.3pp	0.2pp
EBITA	11.3	18.8	21.4	23.1		18.5	21.0	23.5		1%	2%	-2%
EBITA margin	16.4%	14.7%	15.6%	16.3%		14.6%	15.3%	16.4%		0.1pp	0.3pp	-0.1pp
EBIT	7.5	11.1	13.8	15.5	6.8	10.5	12.5	14.5	9%	6%	10%	7%
EBIT margin	10.9%	8.7%	10.1%	10.9%	9.9%	8.3%	9.1%	10.1%	0.9pp	0.5pp	0.9pp	0.8pp
PTP	6.6	8.9	12.2	14.0	6.0	8.0	11.0	13.5	10%	11%	11%	4%
EPS	0.24	0.30	0.44	0.52	0.22	0.22	0.42	0.52	9%	35%	5%	1%
DPS	0.15	0.15	0.20	0.24	0.20	0.20	0.25	0.28		-25%	-20%	-13%

Source: Refinitiv and Nordea estimates

M&A scenario

Relais' strategy focuses on high growth via M&A; the company targets one to two acquisitions per year. Due to uncertainty regarding timing, deal size and deal valuation, we do not include 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 during the first part of 2020. With successful M&A execution, we believe Relais could reach net sales of EUR 181m by 2022, while keeping its net gearing around 65%. If the company carries out M&A in line with our simulation, we think a EUR 240m top-line target by 2024 is achievable.

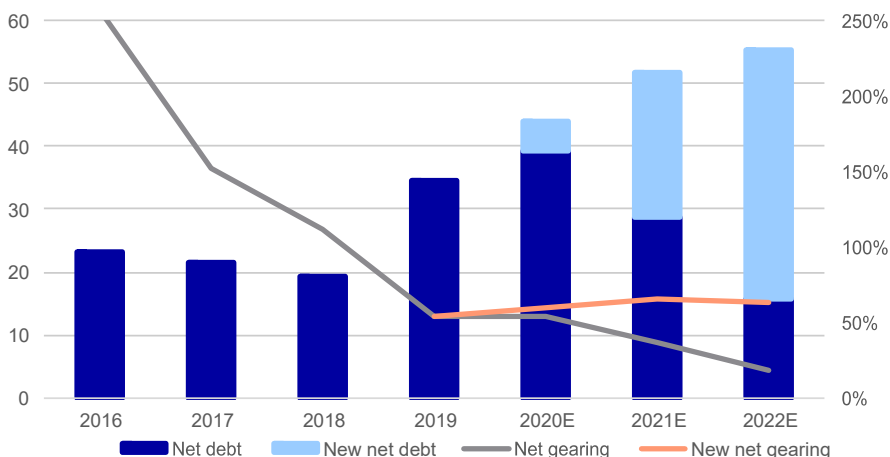
The EUR 20m raised in the IPO strengthened Relais' balance sheet substantially

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

After taking in EUR 20m in equity in its IPO in 2019, Relais has a strong balance sheet with a net gearing of 54% and cash of EUR 26m at the end of H1 2020. 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 year-end net gearing below 65%. Without new debt or acquisitions, we think Relais could deleverage its balance sheet to a net gearing of ~18% by 2022.

With fully debt-financed M&A, Relais would raise its net gearing to around 65% in 2020E-22E

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



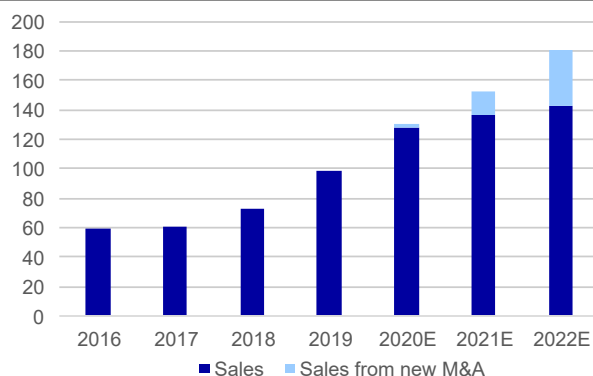
Source: Company data and Nordea estimates

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

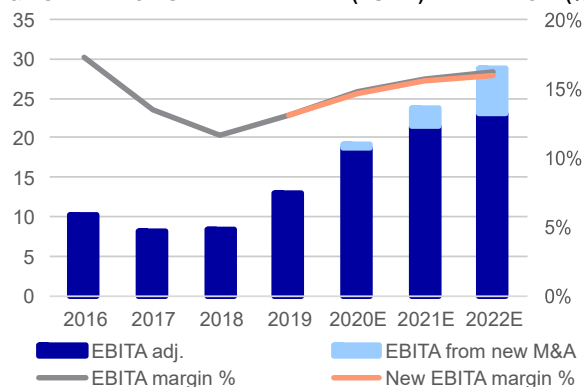
Relais could increase net sales by around EUR 39m by 2022 with acquisitions and without stretching its balance sheet too much

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.

We note that our assumptions are on the conservative side when considering the latest acquisitions, and we think larger targets would command slightly higher multiples. Relais made two acquisitions in H1, of which SEC Scandinavia was acquired at ~5.5x EV/EBITDA and TD Tunga Delar at around 7x. Relais has not indicated any direct cost synergies, although the relative cost base decreased in H1 2020, mainly due to structural changes after acquisitions in 2019-20.

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 over 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	128	137	142
EBITA adj.	10.2	8.1	8.4	13.0	18.8	21.4	23.1
-margin %	17.3%	13.4%	11.6%	13.1%	14.7%	15.6%	16.3%
Cash	0.8	1.5	2.3	29.6	22.5	25.7	33.6
Equity	9.0	14.2	17.2	63.7	73.2	78.7	84.8
Net debt	23.3	21.6	19.2	34.7	39.3	28.6	15.7
Net gearing	257%	152%	112%	54%	54%	36%	18%
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	130	153	181
EBITA, EURm			8.4	13.0	19.1	23.7	28.9
-margin %			11.6%	13.1%	14.7%	15.5%	16.0%
Cash	0.8	1.5	2.3	29.6	22.7	27.3	38.8
Equity	9.0	14.2	17.2	63.7	73.3	79.5	87.1
Net debt	23.3	21.6	19.2	34.7	44.0	51.8	55.4
Net gearing	257%	152%	112%	54%	60%	65%	64%
EBITDA adj.	10.6	8.3	8.7	13.3	19.6	24.2	29.5
ND/EBITDA	2.2x	2.6x	2.2x	2.6x	2.2x	2.1x	1.9x

Source: Company data and Nordea estimates

Implicit EUR 240m target in net sales by 2024

Relais' target is to double its net sales from the pro forma 2018 level of EUR 119m, indicating around EUR 240m sales, which we find plausible if the company can execute in line with our simulation. Given strong cash flow generation, we think the company could spend more on acquisitions in 2023E-24E (EUR 30m annually) while maintaining net debt/EBITDA below 2x.

Relais' current valuation at 2021E EV/EBITDA of ~9x

Based on our estimates, Relais is currently trading at 2021E EV/EBITDA of ~9x. If the company could continue to make acquisitions at similar multiples and profitability as seen in H1 2020 (5.5x-7.0x EV/EBITDA with 10-20% EBITDA margins), we could see clear multiples expansion, which should have positive impact on Relais' share price.

Estimate revisions and financial targets

Guidance for 2020

Relais withdrew its financial guidance on 26 March amid COVID-19 and currently does not have guidance for 2020. Previously, the guidance for 2020 indicated clearly increasing net sales and operating profit excluding amortisation of goodwill.

We would be surprised if the company were to reinstate its positive guidance for 2020 at short notice.

Estimate revisions

We make the following revisions to our estimates. We raise our top-line estimates by 1-2% and adjusted EBITA estimates by 2-3% for 2020-22. We maintain our DPS estimates but see upside to our estimates if the company can renegotiate its financing agreement which currently caps dividends to EUR 4m annually.

ESTIMATE REVISIONS

EURm	New estimates				Old estimates				Difference %			
	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E
Sales	68.7	128	137	142	67.4	126	135	140	2%	1%	2%	2%
Gross profit	23.6	44	47	49	23.1	43	46	48	2%	1%	2%	2%
Gross margin	34.3%	34.4%	34.5%	34.6%	34.3%	34.4%	34.5%	34.6%	0.0pp	0.0pp	0.0pp	0.0pp
Adj. EBITA	11.3	18.8	21.4	23.1	10.8	18.3	21.0	22.8	4%	3%	2%	2%
Adj. EBITA margin	16.4%	14.7%	15.6%	16.3%	16.0%	14.5%	15.6%	16.3%	0.4pp	0.2pp	0.0pp	0.0pp
EBITA	11.3	18.8	21.4	23.1	10.8	18.3	21.0	22.8	4%	3%	2%	2%
EBITA margin	16.4%	14.7%	15.6%	16.3%	16.0%	14.5%	15.6%	16.3%	0.4pp	0.2pp	0.0pp	0.0pp
EBIT	7.5	11.1	13.8	15.5	7.0	10.7	13.4	15.1	7%	4%	3%	2%
EBIT margin	10.9%	8.7%	10.1%	10.9%	10.4%	8.4%	10.0%	10.8%	0.5pp	0.3pp	0.1pp	0.1pp
PTP	6.6	8.9	12.2	14.0	6.1	8.4	11.9	13.6	8%	6%	3%	3%
EPS	0.24	0.30	0.44	0.52	0.22	0.28	0.42	0.50	9%	8%	4%	3%
DPS		0.15	0.20	0.24		0.15	0.20	0.24	0%	0%	0%	0%

Source: 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 IPO in 2019, 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 9.1-11.2 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 to be 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

Peer group	EV / Sales			EV / EBITDA			EV/EBIT			P/E		
	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E
Advance Auto Parts Inc	1.0x	1.0x	1.0x	9.1x	9.3x	8.8x	11.8x	12.0x	11.2x	17.0	17.4	15.8
Auto Partner Sa	0.8x	0.7x	0.6x	9.8x	7.2x	6.4x	14.3x	8.3x	7.4x	16.6		
Autozone Inc	2.3x	2.4x	2.3x	10.8x	11.0x	10.3x	12.6x	12.9x	12.0x	16.3	16.2	14.3
Inter Cars Sa	0.5x	0.5x	0.5x	9.3x	11.7x	11.1x	13.1x	16.4x	14.7x	13.9	13.4	10.8
Camping World Holdings Inc	0.7x	0.7x	0.6x	20.9x	7.1x	7.0x	23.7x	7.8x	7.7x		8.6	8.5
Dometic Group Ab (Publ)	2.1x	2.3x	2.0x	12.3x	14.4x	11.2x	16.6x	20.1x	14.3x	23.3	34.9	18.4
Halfords Group Plc	0.9x	0.9x	0.8x	5.9x	9.7x	10.0x	13.0x	14.2x	14.9x	7.8	10.3	10.6
Mekonomen Ab	0.9x	0.9x	0.8x	6.5x	6.6x	5.9x	11.9x	13.4x	11.1x	9.6	10.2	8.2
O'Reilly Automotive Inc	3.3x	3.1x	3.0x	15.2x	13.1x	13.6x	17.4x	14.8x	15.3x	23.6	19.4	19.4
Thule Group Ab	4.5x	4.1x	4.0x	23.3x	19.4x	18.8x	26.0x	21.4x	20.7x	33.7	28.0	27.3
Peer group average	1.7x	1.6x	1.6x	12.3x	11.0x	10.3x	16.0x	14.1x	12.9x	18.0	17.6	14.8
Peer group median	0.9x	0.9x	0.9x	10.3x	10.4x	10.1x	13.7x	13.8x	13.1x	16.6x	16.2x	14.3x
US peers' average	1.8x	1.8x	1.7x	14.0x	10.1x	9.9x	16.4x	11.8x	11.6x	18.9x	15.4x	14.5x
European peers' average	1.6x	1.6x	1.5x	11.2x	11.5x	10.6x	15.8x	15.6x	13.8x	17.5x	19.4x	15.0x
Relais (Nordea)	2.0x	1.6x	1.4x	9.8x	10.5x	8.8x	22.1x	17.7x	14.3x	32.7x	22.0x	18.7x

Source: Refinitiv

EV/EBITDA-based valuation of EUR 9.0-11.0 per share

Based on our EUR 21.8m EBITDA estimates for 2021 and an accepted valuation multiple range of 8.2-9.8x (midpoint: 9.0x), we arrive at a fair value range of EUR 9.0-11.0 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 9.1-11.1 per share

Using our EUR 0.92 amortisation-adjusted EPS estimate for 2021, we arrive at a fair value range of EUR 9.1-11.1 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 76m, we calculate an equity value of EUR 16.7 per share when using an EV/EBITDA multiple of 9.0x, which discounted to the end of 2020 equals EUR 11.9. However, with similar assumptions and when using the European peer group 2021 average multiple of 10.6x, the equity value would be as high as EUR 20.4 per share, which discounted to the end of 2020 equals EUR 14.8.

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 for 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 9.3-11.4 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 3.5% 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	194	10.5-12.6
(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	15	0.9
DCF Value	157-192	9.3-11.4

Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2020-25	2026-30	2031-35	2036-40	2041-45	2046-50	Sust.
Sales growth, CAGR	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	
EBIT-margin, excluding associates	11.6%	11.5%	11.5%	11.5%	11.5%	4.5%	
Capex/depreciation, x	0.1	0.2	1.0	1.0	1.0	1.0	
Capex/sales	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
NWC/sales	40%	40%	40%	40%	40%	40%	
FCFF, CAGR	-221.0%	0.5%	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 9.1-11.9 per share.

SENSITIVITY OF OUR DCF MODEL

		WACC				
		5.7%	6.2%	6.7%	7.2%	7.7%
EBIT margin change	+1.0pp	14.5	12.5	11.3	10.4	9.6
	+0.5pp	13.1	11.9	10.9	10.0	9.2
		12.5	11.3	10.4	9.5	8.8
	-0.5pp	11.8	10.8	9.9	9.1	8.5
	-1.0pp	11.2	10.2	9.4	8.7	8.1

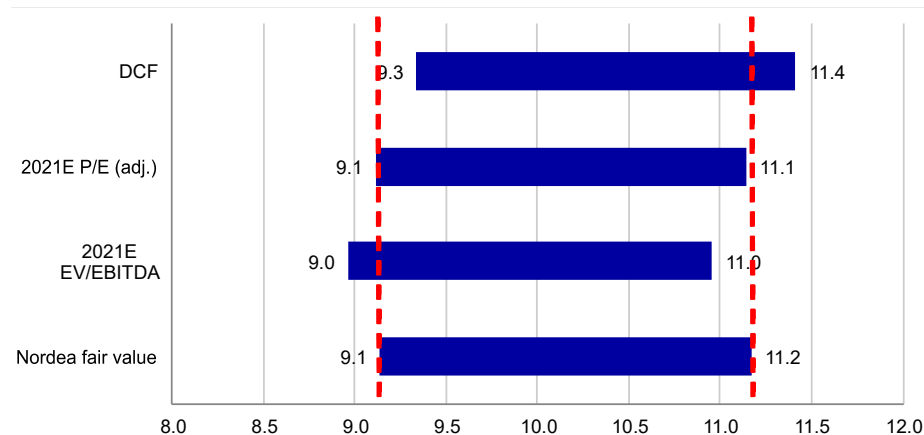
		WACC				
		5.7%	6.2%	6.7%	7.2%	7.7%
Sales growth change	+1.0pp	13.3	12.0	10.9	10.0	9.2
	+0.5pp	12.9	11.7	10.6	9.8	9.0
		12.5	11.3	10.4	9.5	8.8
	-0.5pp	12.1	11.0	10.1	9.3	8.7
	-1.0pp	11.8	10.8	9.9	9.2	8.5

		Sales growth change				
		-1.0pp	-0.5pp		+0.5pp	+1.0pp
EBIT margin change	+1.0pp	10.7	11.0	11.3	11.7	12.0
	+0.5pp	10.3	10.6	10.9	11.2	11.5
		9.9	10.1	10.4	10.6	10.9
	-0.5pp	9.5	9.7	9.9	10.1	10.4
	-1.0pp	9.1	9.2	9.4	9.6	9.8

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 9.1-11.2 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 at a slight discount to European peers on EV/EBITDA. US companies trade on average at 2020E-21E EV/EBITDA of 9.9-10.1x versus European peers at 10.6-11.5x. 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	149	8,541	8,510	1.0x	1.0x	1.0x	9.1x	9.3x	8.8x	11.8x	12.0x	11.2x
Auto Partner Sa	Poland	8	231	265	0.8x	0.7x	0.6x	9.8x	7.2x	6.4x	14.3x	8.3x	7.4x
Autozone Inc	USA	1124	21,966	25,315	2.3x	2.4x	2.3x	10.8x	11.0x	10.3x	12.6x	12.9x	12.0x
Inter Cars Sa	Poland	230	729	1,009	0.5x	0.5x	0.5x	9.3x	11.7x	11.1x	13.1x	16.4x	14.7x
Camping World Holdings Inc	USA	29	2,160	3,102	0.7x	0.7x	0.6x	20.9x	7.1x	7.0x	23.7x	7.8x	7.7x
Dometic Group Ab (Publ)	Sweden	101	2,915	3,656	2.1x	2.3x	2.0x	12.3x	14.4x	11.2x	16.6x	20.1x	14.3x
Halfords Group Plc	UK	263	581	1,126	0.9x	0.9x	0.8x	5.9x	9.7x	10.0x	13.0x	14.2x	14.9x
Mekonomen Ab	Sweden	95	525	975	0.9x	0.9x	0.8x	6.5x	6.6x	5.9x	11.9x	13.4x	11.1x
O'Reilly Automotive Inc	USA	450	27,507	30,063	3.3x	3.1x	3.0x	15.2x	13.1x	13.6x	17.4x	14.8x	15.3x
Thule Group Ab	Sweden	286	2,930	3,001	4.5x	4.1x	4.0x	23.3x	19.4x	18.8x	26.0x	21.4x	20.7x
Peer group average					1.7x	1.6x	1.6x	12.3x	11.0x	10.3x	16.0x	14.1x	12.9x
Peer group median					0.9x	0.9x	0.9x	10.3x	10.4x	10.1x	13.7x	13.8x	13.1x
US peers' average					1.8x	1.8x	1.7x	14.0x	10.1x	9.9x	16.4x	11.8x	11.6x
European peers' average					1.6x	1.6x	1.5x	11.2x	11.5x	10.6x	15.8x	15.6x	13.8x
Relais (Nordea)	Finland	9.7	163	197	2.0x	1.6x	1.4x	9.8x	10.5x	8.8x	22.1x	17.7x	14.3x

Note: closing prices and market capitalisations as of 17 November 2020

Source: Refinitiv

We find it justified that US peers trade at higher average valuation multiples as they have on average higher profitability with a 2020E-21E EBITDA margin of 16.1-16.4% versus European peers' average of 12.2-12.5%, although we note recent estimate increases for European peers. 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%	-3.0%	0.7%	10.1%	10.6%	10.7%	11.3%	0.2%	0.2%	0.6%	0.5%
Auto Partner Sa	22.9%	26.0%	9.5%	22.7%	7.8%	8.0%	9.9%	9.1%	0.3%	0.0%		
Autozone Inc	1.1%	11.9%	-1.7%	5.5%	22.2%	21.7%	21.7%	22.0%	0.0%	0.0%	0.0%	0.0%
Inter Cars Sa	12.3%	11.5%	-3.2%	3.9%	4.9%	5.2%	4.3%	4.4%	0.3%	0.0%	0.0%	0.3%
Camping World Holdings Inc	13.1%	5.6%	4.0%	6.7%	6.7%	3.4%	9.6%	9.1%	2.2%	2.2%	0.8%	1.1%
Dometic Group Ab (Publ)	21.2%	-0.8%	-8.5%	14.8%	17.9%	17.1%	15.9%	17.8%	2.2%	2.1%	1.5%	1.9%
Halfords Group Plc	2.1%	-0.5%	1.2%	1.2%	9.4%	14.6%	8.8%	8.5%	7.3%	4.9%	0.5%	2.4%
Mekonomen Ab	21.7%	47.2%	2.7%	3.2%	9.5%	13.5%	12.9%	14.1%	0.0%	0.0%	0.4%	2.3%
O'Reilly Automotive Inc	6.4%	11.6%	7.0%	1.7%	21.7%	21.6%	23.4%	22.2%	0.0%	0.0%	0.0%	0.0%
Thule Group Ab	1.1%	6.8%	9.5%	3.3%	19.1%	19.3%	21.2%	21.2%	2.5%	2.6%	3.5%	3.0%
Peer group average												
Peer group median												
US peers' average												
European peers' average												
Relais (Nordea)	19.9%	36.6%	29.0%	7.2%	12.1%	13.5%	15.0%	15.9%	1.2%	1.5%	2.1%	

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	69	64	73	60	72	99	128	137	142
Sales growth	12%	58%	56%	12.2%	9%	6%	3%	20%	37%	29%	7%	4%
of which organic	3%	1%	3%	2%	5%	5%	-1%	10%	2%	3%	5%	4%
of which structural	9%	58%	54%	10%	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	-45	-42	-48	-40	-48	-66	-84	-90	-93
Gross profit	12.4	20.7	20.3	23.6	22.2	25.0	20.9	24.3	33.1	43.9	47.2	49.2
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	11.5	9.3	12.4	8.3	8.7	13.3	19.2	21.8	23.5
EBITDA margin %	10.7%	15.2%	13.1%	16.7%	14.5%	17.1%	13.8%	12.1%	13.5%	15.0%	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	11.3	9.2	12.2	8.1	8.4	13.0	18.8	21.4	23.1
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	11.3	9.2	12.2	8.1	8.4	13.0	18.8	21.4	23.1
Adj. EBITA margin %	10.3%	14.9%	12.7%	16.4%	14.2%	16.9%	13.4%	11.6%	13.1%	14.7%	15.6%	16.3%
-growth y/y	10%	87%	93%	24%	22%	8%	-21%	4%	55%	45%	14%	8%
EBITA Bridge										5.8	2.6	1.7
Organic										0.9	2.5	2.1
FX										0.0	0.2	0.0
Structural										2.9	0.1	0.0
Cost vs price										1.9	-0.2	-0.3
EBIT	2.2	5.7	3.7	7.5	5.3	8.4	6.1	5.7	7.9	11.1	13.8	15.5
EBIT margin %	5.8%	9.3%	6.2%	10.9%	8.3%	11.6%	10.2%	7.9%	7.9%	8.7%	10.1%	10.9%
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	6.6	4.5	7.7	5.3	4.8	2.5	8.9	12.2	14.0
Tax	-0.4	-1.5	-1.3	-2.2	-1.8	-2.4	-1.4	-1.5	-1.9	-3.5	-4.2	-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	4.3	2.7	5.2	3.8	3.1	0.4	5.3	7.9	9.3
Net profit	-0.2	0.7	1.0	4.4	2.8	5.3	3.9	3.3	0.6	5.4	8.1	9.5
EPS (undiluted)	-0.03	0.05	0.06	0.26	0.16	0.31	0.44	0.36	0.03	0.32	0.47	0.55
Adj. EPS (excl. amortization)	0.32	0.41	0.29	0.48	0.39	0.53	0.66	0.67	0.75	0.77	0.92	1.00
DPS									0.10	0.15	0.20	0.24
Dividend payout ratio									13%	20%	22%	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 raised EUR 20m of new capital via its recent IPO and it 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	128	137	142
Revenue growth	10.7%	3.2%	31.3%	28.6%	9.1%	2.6%	19.9%	36.6%	29.0%	7.2%	4.0%
of which organic	11.4%	4.4%	7.0%	8.8%	9.5%	-0.8%	9.5%	2.0%	2.5%	5.0%	4.0%
of which FX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.1%	0.1%	1.4%	0.0%
EBITDA	0	0	0	0	9	8	9	13	19	22	24
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	19	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	14	16
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	9	12	14
Reported taxes	0	0	0	0	-1	-1	-2	-2	-3	-4	-5
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	0.30	0.44	0.52
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%	15.0%	15.9%	16.5%
EBITA	0.0%	0.0%	0.0%	0.0%	14.5%	13.4%	11.6%	13.1%	14.7%	15.6%	16.3%
EBIT	n.a.	n.a.	n.a.	n.a.	11.6%	10.2%	7.9%	7.9%	8.7%	10.1%	10.9%

Adjusted earnings

EBITDA (adj)	0	0	0	0	11	8	9	13	19	22	24
EBITA (adj)	0	0	0	0	10	8	8	13	19	21	23
EBIT (adj)	0	0	0	0	8	6	6	8	11	14	16
EPS (adj, EUR)	n.a.	n.a.	n.a.	n.a.	0.40	0.42	0.34	0.29	0.30	0.44	0.52

Adjusted profit margins in percent

EBITDA (adj)	0.0%	0.0%	0.0%	0.0%	18.0%	13.8%	12.1%	13.5%	15.0%	15.9%	16.5%
EBITA (adj)	0.0%	0.0%	0.0%	0.0%	17.3%	13.4%	11.6%	13.1%	14.7%	15.6%	16.3%
EBIT (adj)	0.0%	0.0%	0.0%	0.0%	14.4%	10.2%	7.9%	7.9%	8.7%	10.1%	10.9%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	17.6%	16.0%	14.3%	17.8%	18.7%	18.8%	18.4%	18.7%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	19.4%	23.0%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.0%	20.4%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.1%	4.5%
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.	9.0%	9.0%	9.3%
Average EBITDA margin	n.a.	n.a.	0.0%	0.0%	4.1%	7.0%	9.0%	11.4%	14.0%	14.4%	15.0%

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	32.7	22.0	18.7
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	11.1	9.3	8.1
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	11.3	9.4	8.2
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	19.1	14.7	12.2

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.	32.7	22.0	18.7
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.37	1.67	1.48	1.33
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	11.1	9.3	8.1
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	11.3	9.4	8.2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	19.1	14.7	12.2
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.2%	1.5%	2.1%	2.5%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-61.8%	-5.0%	7.6%	9.4%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4%	3.4%	7.6%	9.4%
Payout ratio	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	319.0%	50.6%	45.5%	46.3%

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	50	52	53
Accounts receivable	0	0	0	0	5	8	8	12	13	14	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	22	26	34
Total current assets	0	0	0	0	35	37	42	88	89	96	105
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	150	152
Shareholders equity	0	0	0	0	6	11	17	64	73	78	84
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	79	85
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	9
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	150	152
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	53	55	56
Invested capital	0	0	0	0	34	36	37	101	115	110	103
Capital employed	0	0	0	0	32	37	37	128	135	133	134
ROE	n.m.	n.m.	n.m.	n.m.	64.1%	44.7%	22.7%	1.0%	7.8%	10.4%	11.4%
ROIC	n.m.	n.m.	n.m.	n.m.	35.3%	12.4%	11.1%	8.0%	7.2%	8.6%	10.2%
ROCE	n.m.	n.m.	n.m.	n.m.	53.4%	17.9%	15.7%	9.6%	8.7%	10.6%	11.9%
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	2.5	2.6	2.0	2.6	2.0	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%	48.3%	52.1%	55.4%
Net gearing	n.m.	n.m.	n.m.	n.m.	244.3%	152.2%	102.0%	54.3%	53.6%	36.2%	18.4%

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	19	22	24
Paid taxes	0	0	0	0	0	0	-2	-2	-3	-4	-5
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	14	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	17
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	10	10	10
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	101	173	173	173
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	136	213	202	189
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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