

Relais Group Oyj

Consumer Goods
Finland

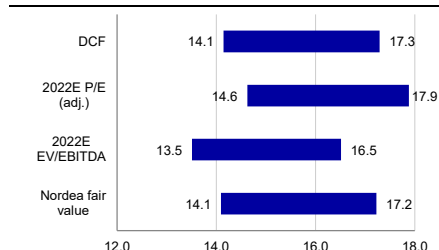
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 15.60
Free Float	36%
Market cap. (bn)	EUR 0.28/EUR 0.28
Website	www.relais.fi
Next report date	25 Feb 2021

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	0%	40%	43%
EBIT (adj)	0%	14%	16%

Source: Nordea estimates

Nordea Markets - Analysts

Joni Sandvall
AnalystSvante Krokfors
Analyst

Steering closer to end customers with M&A

On 29 January, Relais announced that it will acquire Raskone, Finland's largest multi-brand maintenance and repair workshop chain for commercial vehicles. This acquisition should bring Relais closer to its end customers, as it has never operated a workshop chain before. According to Relais, the acquisition creates the potential for significant cost synergies and enables cross-selling, especially within the lighting and equipment business. We think the announced deal will help the company reach its 2024 financial targets and we expect a strategy update in the near future, given this expansion outside of the wholesale business.

Sizeable acquisition in Finnish commercial vehicle aftermarket

Relais is acquiring Raskone for EUR 30.7m, with EUR 0.9m coming from a directed share issue. In 2020, Raskone's sales were EUR 63m, with EUR 4.7m in EBITDA and EV/EBITDA of ~6.5x (ex synergies). Relais sees potential for significant cost synergies; we estimate more than EUR 1m annually from 2022. The deal also creates cross-selling opportunities, especially for the lighting and equipment business, which should support organic growth going forward. The acquisition will increase the total employee count substantially and position Relais closer to its end customers, as it has never operated workshops before. Raskone is a nationwide multi-brand maintenance and repair workshop chain with 19 workshops in Finland. Relais uses FAS accounting, and so the deal should create EUR ~2.5m of annual goodwill amortisation for the next ten years.

2024 financial targets within reach – further M&A possible

During its 2019 IPO, Relais set a target to double sales by 2024 from its 2018 pro forma level of EUR 119m. Following its recent acquisitions, we now model sales of EUR 243m for 2024 and hence expect the company to reach its target. We think Relais has a solid pipeline for further acquisitions, and we would not be surprised to see more M&A action in 2021, despite the 2021E net debt/EBITDA of 2.5x. Smaller bolt-on acquisitions could be financed with strong cash flow and directed share issues, while we think larger ones would require an equity issue.

2022E EV/EBITDA of ~10x, fair value range of EUR 14.1-17.2

Based on our estimates, Relais currently trades at 2022E EV/EBITDA of ~10x, fairly in line with European peers. The free cash flow yield for 2022E is 6.5%. Based on an average of DCF, EV/EBITDA and P/E valuations, we derive a fair value range of EUR 14.1-17.2 (11.1-13.6) per share.

SUMMARY TABLE - KEY FIGURES

EURm	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	59	60	72	99	128	213	229
EBITDA (adj)	11	8	9	13	19	30	34
EBIT (adj)	8	6	6	8	11	17	20
EBIT (adj) margin	14.4%	10.2%	7.9%	7.9%	8.7%	8.1%	8.9%
EPS (adj, EUR)	0.40	0.42	0.34	0.29	0.30	0.49	0.64
EPS (adj) growth	n.a.	3.9%	-17.9%	-13.6%	0.5%	65.7%	30.8%
DPS (ord, EUR)	0.00	0.00	0.00	0.10	0.15	0.25	0.30
EV/Sales	n.a.	n.a.	n.a.	1.4	2.5	1.7	1.5
EV/EBIT (adj)	n.a.	n.a.	n.a.	17.3	28.6	21.2	17.1
P/E (adj)	n.a.	n.a.	n.a.	28.0	52.7	31.8	24.3
P/BV	n.a.	n.a.	n.a.	1.6	3.8	3.4	3.1
Dividend yield (ord)	n.a.	n.a.	n.a.	1.2%	1.0%	1.6%	1.9%
FCF Yield bef A&D, lease	n.a.	n.a.	n.a.	1.4%	2.1%	3.0%	6.5%
Net debt	22	22	18	35	39	77	62
Net debt/EBITDA	2.5	2.6	2.0	2.6	2.0	2.5	1.8
ROIC after tax	35.3%	12.4%	11.1%	8.0%	7.2%	8.6%	8.9%

Source: Company data 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 2020-21. With successful M&A execution, we believe Relais could reach net sales of EUR 245m by 2022, while keeping its net gearing below 100%. Given the latest Raskone acquisition, we think a EUR 240m top-line target by 2024 is achievable on an organic basis and we expect the company to update its financial targets at short notice.

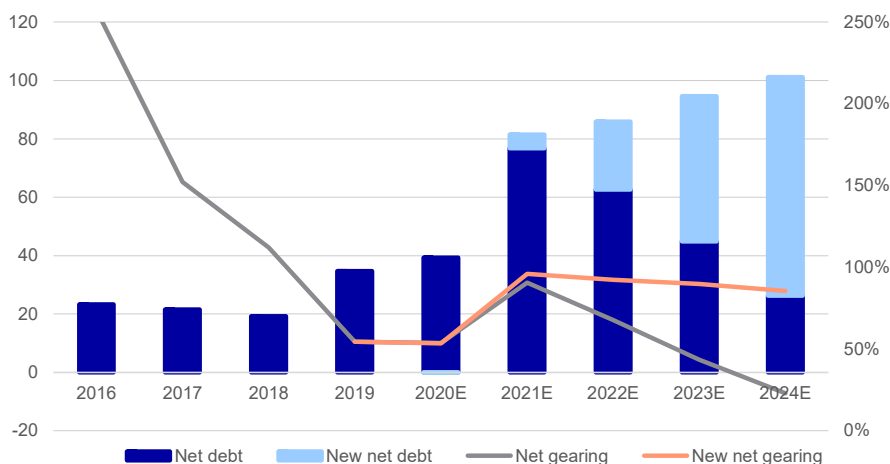
Raskone acquisition increases net debt/EBITDA to ~2.5x in 2021E

Additional debt of EUR 25m in 2021-22 for M&A

After taking in EUR 20m in equity in its IPO in 2019, Relais' net gearing was 54% with a cash position of EUR 26m at the end of H1 2020. After the Raskone acquisition, we believe the company could incur additional debt of EUR 25m in 2021-22 (EUR 5m in 2021 and EUR 20m in 2022) for M&A, while keeping its year-end net gearing below 100% and net debt/EBITDA below 2.75x. Without new debt or acquisitions, we think Relais could deleverage its balance sheet to a net gearing of ~70% by 2022 (from ~90% in 2021E).

With fully debt-financed M&A, Relais would raise its net gearing to around 100% in 2021E-22E

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



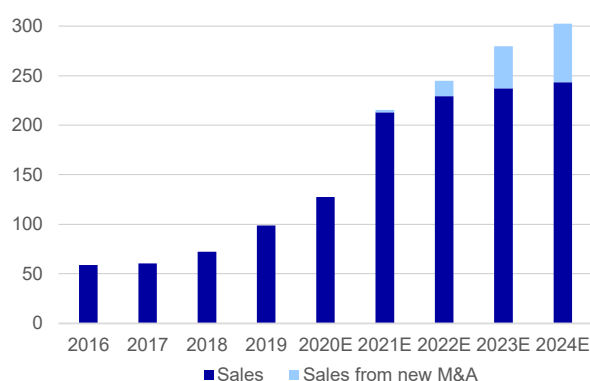
Source: Company data and Nordea estimates

With successful M&A, net sales could reach EUR 245m by 2022

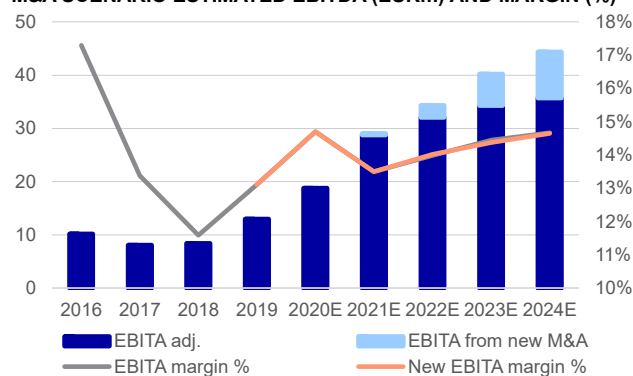
Assuming deal EV/EBITA multiples of 8x, further M&A could increase the company's EBITA by EUR ~2m in 2022. We assume the acquired companies have an EBITA margin of 12%, implying that Relais could gain additional sales of EUR ~15m by 2022 based on our M&A assumptions. We estimate that Relais could realise cost synergies of EUR ~0.3m 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.

Relais could increase net sales by around EUR 15m by 2022 with acquisitions and without stretching its balance sheet too much

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, while the EV/EBITDA multiple for Strands Group is 7.3x when using 2020E EBITDA of SEK 25m. The latest acquisition of Raskone was made at a 6.5x 2020E EV/EBITDA multiple, excluding potential synergies, which Relais expects to be significant.

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 a 3% interest rate and a 21% tax rate assumption.

ILLUSTRATIVE M&A SCENARIO

Current estimates, EURm	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E		
Sales	59	60	72	99	128	213	229	237	243		
EBITDA adj.	10.2	8.1	8.4	13.0	18.8	28.7	32.1	34.3	35.7		
-margin %	17.3%	13.4%	11.6%	13.1%	14.7%	13.5%	14.0%	14.4%	14.7%		
Cash	0.8	1.5	2.3	29.6	22.5	5.0	9.2	11.9	15.5		
Equity	9.0	14.2	17.2	63.7	73.2	84.8	92.4	103.4	114.6		
Net debt	23.3	21.6	19.2	34.7	39.3	76.8	62.6	44.9	26.3		
Net gearing	257%	152%	112%	54%	54%	91%	68%	43%	23%		
Deal(s) size						5	20	30	30		
EV/EBITDA assumption, x						8x	8x	8x	8x		
EV/Sales assumption, x						1.0x	1.0x	1.0x	1.0x		
						2021E	2022E	2023E	2024E		
Cumulative sales increase from M&A						2.6	15.5	42.3	59.4		
Cumulative EBITDA increase from M&A						0.3	1.9	5.3	7.4		
- margin %						12%	13%	13%	13%		
Cumulative potential synergies						0.1	0.3	0.6	1.2		
% of sales						2%	2%	1%	2%		
Cash increase						0.2	1.4	3.6	5.0		
New estimates after additional M&A, EURm			2018	2019	2020E	2021E	2022E	2023E	2024E		
Sales, EURm			72	99	128	215	245	280	303		
EBITDA, EURm			8.4	13.0	18.8	29.1	34.3	40.2	44.3		
-margin %			11.6%	13.1%	14.7%	13.5%	14.0%	14.4%	14.7%		
Cash			0.8	1.5	2.3	29.6	22.5	5.2	10.8	17.0	25.5
Equity			9.0	14.2	17.2	63.7	73.2	84.9	93.0	105.5	118.2
Net debt			23.3	21.6	19.2	34.7	39.2	81.4	85.9	94.7	101.1
Net gearing			257%	152%	112%	54%	54%	96%	92%	90%	86%
EBITDA adj.			10.6	8.3	8.7	13.3	19.2	30.8	36.2	42.3	46.8
ND/EBITDA			2.2x	2.6x	2.2x	2.6x	2.0x	2.6x	2.4x	2.2x	2.2x

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 on an organic basis. Given strong cash flow generation, we however think the company could spend more on acquisitions in 2023E-24E (EUR 30m annually) while maintaining net debt/EBITDA below 2.5x. If the company could continue in line with our scenario until 2024E, net sales could reach EUR 303m and EBITA EUR 44m.

Estimate revisions

Estimate revisions

We add Raskone to our estimates but otherwise keep our H2 2020 estimates intact. We raise our DPS estimates by 25% for 2021-22 and now expect a 22% payout on average from amortisation-adjusted EPS.

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	213	229	68.7	128	152	160	0%	0%	40%	43%
Gross profit	23.6	44	87	94	23.6	44	52	55	0%	0%	66%	70%
Gross margin	34.3%	34.4%	40.8%	41.1%	34.3%	34.4%	34.3%	34.6%	0.0pp	0.0pp	6.5pp	6.5pp
Adj. EBITA	11.3	18.8	28.7	32.1	11.3	18.8	24.1	26.7	0%	0%	19%	20%
Adj. EBITA margin	16.4%	14.7%	13.5%	14.0%	16.4%	14.7%	15.8%	16.7%	0.0pp	0.0pp	-2.4pp	-2.7pp
EBITA	11.3	18.8	28.7	32.1	11.3	18.8	24.1	26.7	0%	0%	19%	20%
EBITA margin	16.4%	14.7%	13.5%	14.0%	16.4%	14.7%	15.8%	16.7%	0.0pp	0.0pp	-2.4pp	-2.7pp
EBIT	7.5	11.1	17.2	20.4	7.5	11.1	15.0	17.6	0%	0%	14%	16%
EBIT margin	10.9%	8.7%	8.1%	8.9%	10.9%	8.7%	9.9%	11.0%	0.0pp	0.0pp	-1.8pp	-2.1pp
PTP	6.6	8.9	14.7	18.2	6.6	8.9	13.3	15.9	0%	0%	11%	15%
EPS	0.24	0.30	0.49	0.64	0.24	0.30	0.46	0.57	0%	0%	7%	12%
DPS		0.15	0.25	0.30		0.15	0.20	0.24		0%	25%	25%

Source: Nordea estimates

Valuation

We value Relais using a variety of methods, including a peer multiples-based valuation and a discounted cash flow (DCF) model. We only include organic growth potential in our valuation approach and exclude any impact of potential future M&A. Using a combination of valuation methods, we derive a valuation range of EUR 14.1-17.2 per share.

Background

Our valuation does not include M&A

We acknowledge the company's ambition to continue growing at an accelerated pace, which includes a significant M&A component. Because the potential targets, their sizes and fundamentals are unknown, however, 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 the company 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 the peer group.

PEER VALUATION TABLE

	EV / Sales			EV / EBITDA			EV/EBIT			P/E		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Peer group												
Advance Auto Parts Inc	1.0x	1.0x	1.0x	9.3x	8.8x	8.4x	12.0x	11.2x	10.4x	17.4	15.7	14.1
Auto Partner Sa	0.8x	0.6x	0.6x	7.9x	7.4x	6.8x	9.2x	8.6x	7.9x			
Autozone Inc	2.3x	2.2x	2.2x	10.7x	10.3x	9.9x	12.6x	12.0x	11.5x	15.9	14.3	12.8
Inter Cars Sa	0.6x	0.5x	0.5x	9.8x	9.9x	9.3x	12.5x	12.8x	11.9x	14.3	13.1	12.1
Camping World Holdings Inc	0.8x	0.7x	0.7x	8.0x	7.8x	8.3x	8.7x	8.6x	9.1x	10.3	9.8	10.8
Dometic Group Ab (Publ)	2.6x	2.3x	2.2x	16.0x	12.4x	11.5x	22.0x	15.4x	14.0x	39.2	21.5	17.9
Halfords Group Plc	0.7x	0.7x	0.7x	7.6x	8.1x	8.0x	11.5x	12.8x	13.5x	10.2	11.4	11.6
Mekonomen Ab	0.8x	0.8x	0.8x	6.3x	6.0x	5.8x	12.0x	10.8x	10.2x	10.0	8.3	7.7
O'Reilly Automotive Inc	2.9x	2.9x	2.7x	12.5x	12.9x	12.3x	14.1x	14.6x	13.8x	18.3	18.2	16.5
Thule Group Ab	4.3x	4.2x	4.0x	20.2x	19.8x	18.4x	22.2x	21.8x	20.1x	28.9	28.5	26.3
Peer group average	1.7x	1.6x	1.5x	10.8x	10.3x	9.9x	13.7x	12.8x	12.2x	18.3	15.6	14.4
Peer group median	0.9x	0.9x	0.9x	9.6x	9.4x	8.8x	12.2x	12.4x	11.7x	15.9x	14.3x	12.8
US peers' average	1.8x	1.7x	1.6x	10.1x	9.9x	9.7x	11.8x	11.6x	11.2x	15.5x	14.5x	13.6x
European peers' average	1.6x	1.5x	1.5x	11.3x	10.6x	10.0x	14.9x	13.7x	12.9x	20.5x	16.6x	15.1x
Relais (Nordea)	2.4x	1.6x	1.4x	15.7x	11.1x	9.6x	26.7x	17.3x	14.5x	31.8x	24.3x	17.7x

Source: Refinitiv

EV/EBITDA-based valuation of EUR 13.5-16.5 per share

Based on our EUR 33.9m EBITDA estimate for 2022 and an accepted valuation multiple range of 8.7-10.3x (midpoint: 9.5x), we arrive at a fair value range of EUR 13.5-16.5 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. The profitability and growth profiles of European peers also more closely resemble that of Relais, in our view.

P/E-based valuation of EUR 14.6-17.9 per share

Using EUR 1.35 amortisation-adjusted EPS estimates for 2022, we arrive at a fair value range of EUR 14.6-17.9 per share using P/E multiples of 10.8-13.2x (midpoint: 12.0x).

DCF-based valuation of EUR 14.1-17.3 per share

In our DCF model, we value Relais based on the current business, assuming no additional value-adding acquisitions. We also assume a sales CAGR of 14.3% for 2020-25, followed by a 2% CAGR in perpetuity, meaning that organic growth is roughly the same as the average rate of inflation. We also assume Relais will gradually improve its profitability level and maintain an adjusted EBIT margin of 12.0% in the long run. We use a 4% cost of debt in our DCF model, as the current level is unlikely to persist in the long term. We also assign 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	2.1-1.6
Cost of equity	11.5-9%
Cost of debt	4.0%
Tax-rate used in WACC	30%
Equity weight	50%
WACC	7.1-5.9%

Source: Nordea estimates

DCF VALUATION		
DCF value	Value	Per share
NPV FCFF	252-306	14.6-17.7
(Net debt)	-35	-2.0
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	27	1.6
DCF Value	244-298	14.1-17.3

Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2020-25	2026-30	2031-35	2036-40	2041-45	2046-50	Sust.
Sales growth, CAGR	14.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBIT-margin, excluding associates	9.9%	12.0%	12.0%	12.0%	12.0%	2.9%	
Capex/depreciation, x	0.1	0.2	1.0	1.0	1.0	1.0	
Capex/sales	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	
NWC/sales	31%	31%	31%	31%	31%	31%	
FCFF, CAGR	-230.6%	3.7%	2.0%	2.0%	2.0%	-30.6%	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 DCF-derived fair value is especially sensitive to 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 the EBIT margin, our DCF model gives us a value range of EUR 13.7-18.2 per share.

SENSITIVITY OF OUR DCF MODEL

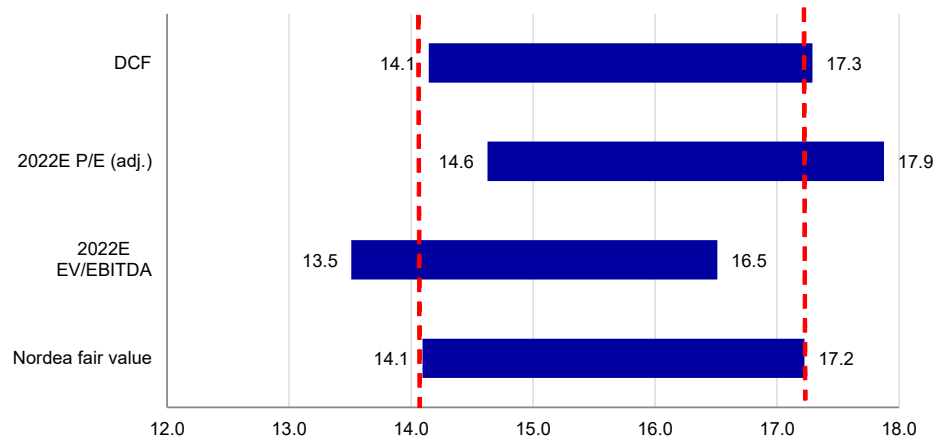
		WACC				
		5.5%	6.0%	6.5%	7.0%	7.5%
EBIT margin change	+1.0pp	21.3	19.2	17.4	15.9	14.5
	+0.5pp	20.1	18.2	16.6	15.1	13.9
		18.9	17.2	15.7	14.4	13.2
	-0.5pp	17.8	16.2	14.9	13.7	12.6
	-1.0pp	16.6	15.2	14.0	12.9	12.0
		WACC				
		5.5%	6.0%	6.5%	7.0%	7.5%
Sales growth change	+1.0pp	20.3	18.3	16.6	15.2	13.9
	+0.5pp	19.6	17.7	16.2	14.8	13.6
		18.9	17.2	15.7	14.4	13.2
	-0.5pp	18.3	16.7	15.3	14.0	12.9
	-1.0pp	17.8	16.2	14.9	13.7	12.6
		Sales growth change				
		-1.0pp	-0.5pp	+0.5pp	+1.0pp	
EBIT margin change	+1.0pp	16.3	16.9	17.4	18.0	18.6
	+0.5pp	15.6	16.1	16.6	17.1	17.6
		14.9	15.3	15.7	16.2	16.6
	-0.5pp	14.1	14.5	14.9	15.3	15.7
	-1.0pp	13.4	13.7	14.0	14.3	14.7

Source: Nordea estimates

Valuation conclusion

Assuming that Relais can deliver revenue growth and an operating profit margin in line with our expectations, we estimate a fair value range of EUR 14.1-17.2 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

Detailed estimates

DETAILED ESTIMATES

EURm	H1 19	H2 19	H1 20	H2 20E	H1 21E	H2 21E	2017	2018	2019	2020E	2021E	2022E
Net sales	38	61	59	69	100	113	60	72	99	128	213	229
Sales growth	12%	58%	56%	12.2%	69%	65%	3%	20%	37%	29%	67%	8%
of which organic	3%	1%	3%	2%	5%	5%	-1%	10%	2%	3%	5%	5%
of which structural	9%	58%	54%	10%	61%	59%	3%	10%	36%	26%	60%	3%
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	-59	-67	-40	-48	-66	-84	-126	-135
Gross profit	12.4	20.7	20.3	23.6	40.2	46.7	20.9	24.3	33.1	43.9	86.9	94.3
Gross margin %	32.8%	33.8%	34.5%	34.3%	40.4%	41.2%	34.6%	33.6%	33.4%	34.4%	40.8%	41.1%
Staff costs	-5	-7	-8	-8	-19	-20	-8	-10	-12	-15	-39	-42
Other operating costs	-3	-5	-5	-5	-9	-9	-5	-6	-8	-10	-18	-19
EBITDA	4.0	9.3	7.7	11.5	12.4	18.0	8.3	8.7	13.3	19.2	30.4	33.9
EBITDA margin %	10.7%	15.2%	13.1%	16.7%	12.5%	15.9%	13.8%	12.1%	13.5%	15.0%	14.3%	14.8%
D&A	-1.9	-3.6	-4.0	-4.0	-6.6	-6.7	-2.2	-3.0	-5.5	-8.1	-13.3	-13.4
of which depreciations	-0.2	-0.2	-0.2	-0.2	-0.8	-0.9	-0.3	-0.3	-0.4	-0.4	-1.7	-1.8
of which amortizations	-1.7	-3.4	-3.8	-3.8	-5.8	-5.8	-1.9	-2.7	-5.1	-7.6	-11.6	-11.6
EBITA	3.9	9.1	7.5	11.3	11.6	17.1	8.1	8.4	13.0	18.8	28.7	32.1
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	11.6	17.1	8.1	8.4	13.0	18.8	28.7	32.1
Adj. EBITA margin %	10.3%	14.9%	12.7%	16.4%	11.7%	15.1%	13.4%	11.6%	13.1%	14.7%	13.5%	14.0%
-growth y/y	10%	87%	93%	24%	55%	51%	-21%	4%	55%	45%	53%	12%
EBITA Bridge										5.8	10.0	3.3
Organic										0.9	2.5	4.0
FX										0.0	0.3	0.0
Structural										2.9	11.3	0.8
Cost vs price										1.9	-4.1	-1.5
EBIT	2.2	5.7	3.7	7.5	5.9	11.3	6.1	5.7	7.9	11.1	17.2	20.4
EBIT margin %	5.8%	9.3%	6.2%	10.9%	5.9%	9.9%	10.2%	7.9%	7.9%	8.7%	8.1%	8.9%
Net financials	-1.9	-3.4	-1.4	-0.9	-1.5	-1.0	-0.8	-0.9	-5.4	-2.2	-2.4	-2.2
PTP	0.2	2.3	2.3	6.6	4.4	10.3	5.3	4.8	2.5	8.9	14.7	18.2
Tax	-0.4	-1.5	-1.3	-2.2	-2.1	-3.4	-1.4	-1.5	-1.9	-3.5	-5.5	-6.3
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	2.2	6.8	3.8	3.1	0.4	5.3	9.0	11.8
Net profit	-0.2	0.7	1.0	4.4	2.3	6.9	3.9	3.3	0.6	5.4	9.2	12.0
EPS (undiluted)	-0.03	0.05	0.06	0.26	0.13	0.39	0.44	0.36	0.03	0.32	0.52	0.68
Adj. EPS (excl. amortization)	0.32	0.41	0.29	0.48	0.46	0.73	0.66	0.67	0.75	0.77	1.19	1.35
DPS									0.10	0.15	0.25	0.30
Dividend payout ratio									13%	20%	21%	22%

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 economy in the Nordics, car spare parts sales and the 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>The outlook for Nordic economies has improved after the initial shock, while the final COVID-19 impact is not clear. If people start cutting back on car service spending and/or postpone servicing their cars, Relais could see a negative impact on its sales and earnings. In addition, after recent acquisitions, Relais is more dependent on commercial vehicles and related services, which could be affected if economic activity deteriorates.</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.</p>

Significant writedown of goodwill could worsen the financial position	Substantial amount of intangible assets Due to M&A, Relais has accumulated a significant amount of goodwill on its balance sheet and should a future test (in case the company switches to IFRS accounting standards) show a significant decline in the value of goodwill, it could have a huge impact on the balance sheet and earnings. A weakening balance sheet could limit the possibility of new financing and hence have a negative impact on future M&A and business operations.
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 to 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	213	229
Revenue growth	10.7%	3.2%	31.3%	28.6%	9.1%	2.6%	19.9%	36.6%	29.0%	66.8%	7.7%
of which organic	11.4%	4.4%	7.0%	8.8%	9.5%	-0.8%	9.5%	2.0%	2.5%	5.0%	5.0%
of which FX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.1%	0.1%	1.6%	0.0%
EBITDA	0	0	0	0	9	8	9	13	19	30	34
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	-2	-2
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	29	32
Amortisation and impairments	0	0	0	0	-2	-2	-3	-5	-8	-12	-12
EBIT	n.a.	n.a.	n.a.	n.a.	7	6	6	8	11	17	20
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	15	18
Reported taxes	0	0	0	0	-1	-1	-2	-2	-3	-6	-6
Net profit from continued operations	0	0	0	0	3	4	3	1	5	9	12
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	9	12
EPS, EUR	n.a.	n.a.	n.a.	n.a.	0.22	0.42	0.34	0.03	0.30	0.49	0.64
DPS, EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.15	0.25	0.30
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.15	0.25	0.30
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%	14.3%	14.8%
EBITA	0.0%	0.0%	0.0%	0.0%	14.5%	13.4%	11.6%	13.1%	14.7%	13.5%	14.0%
EBIT	n.a.	n.a.	n.a.	n.a.	11.6%	10.2%	7.9%	7.9%	8.7%	8.1%	8.9%

Adjusted earnings

EBITDA (adj)	0	0	0	0	11	8	9	13	19	30	34
EBITA (adj)	0	0	0	0	10	8	8	13	19	29	32
EBIT (adj)	0	0	0	0	8	6	6	8	11	17	20
EPS (adj, EUR)	n.a.	n.a.	n.a.	n.a.	0.40	0.42	0.34	0.29	0.30	0.49	0.64

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%	14.3%	14.8%
EBITA (adj)	0.0%	0.0%	0.0%	0.0%	17.3%	13.4%	11.6%	13.1%	14.7%	13.5%	14.0%
EBIT (adj)	0.0%	0.0%	0.0%	0.0%	14.4%	10.2%	7.9%	7.9%	8.7%	8.1%	8.9%

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%	29.3%	30.6%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	27.7%	32.4%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.2%	27.2%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.6%	9.1%
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%	8.4%	8.4%
Average EBITDA margin	n.a.	n.a.	0.0%	0.0%	4.1%	7.0%	9.0%	11.4%	14.0%	14.0%	14.2%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.0	52.7	31.8	24.3
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	16.6	11.9	10.3
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	17.0	12.6	10.9
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	28.6	21.2	17.1

VALUATION RATIOS - REPORTED EARNINGS

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	52.7	31.8	24.3
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.37	2.49	1.71	1.52
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	16.6	11.9	10.3
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	17.0	12.6	10.9
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	28.6	21.2	17.1
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.2%	1.0%	1.6%	1.9%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-61.8%	-3.1%	-13.9%	6.5%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4%	2.1%	3.0%	6.5%
Payout ratio	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	319.0%	50.6%	51.0%	46.7%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	0	0	0	0	5	7	5	54	61	95	84
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	6	6
of which goodwill	0	0	0	0	5	7	5	54	61	89	77
Tangible assets	0	0	0	0	1	1	1	1	1	4	4
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	99	88
Inventory	0	0	0	0	26	27	29	43	50	66	71
Accounts receivable	0	0	0	0	5	8	8	12	13	15	16
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	7	8
Cash and bank	0	0	0	0	1	2	2	30	22	5	9
Total current assets	0	0	0	0	35	37	42	88	89	93	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	192	192
Shareholders equity	0	0	0	0	6	11	17	64	73	84	92
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	85	92
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	77	67
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	79	69
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	13	14
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	11	11
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	28	30
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	192	192
Balance sheet and debt metrics											
Net debt	0	0	0	0	22	22	18	35	39	77	62
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	65	70
Invested capital	0	0	0	0	34	36	37	101	115	164	157
Capital employed	0	0	0	0	32	37	37	128	135	166	164
ROE	n.m.	n.m.	n.m.	n.m.	64.1%	44.7%	22.7%	1.0%	7.8%	11.4%	13.4%
ROIC	n.m.	n.m.	n.m.	n.m.	35.3%	12.4%	11.1%	8.0%	7.2%	8.6%	8.9%
ROCE	n.m.	n.m.	n.m.	n.m.	53.4%	17.9%	15.7%	9.6%	8.7%	11.7%	12.6%
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	2.5	2.6	2.0	2.6	2.0	2.5	1.8
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%	43.9%	47.9%
Net gearing	n.m.	n.m.	n.m.	n.m.	244.3%	152.2%	102.0%	54.3%	53.6%	90.4%	67.6%

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	30	34
Paid taxes	0	0	0	0	0	0	-2	-2	-3	-6	-6
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	22	25
Change in NWC	0	0	0	0	0	0	-2	-3	-7	-12	-5
Cash flow from operations (CFO)	0	0	0	0	0	0	3	2	6	11	20
Capital expenditure	0	0	0	0	0	0	0	0	0	-2	-2
Free cash flow before A&D	0	0	0	0	0	0	3	1	6	9	19
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	-49	0
Free cash flow	0	0	0	0	0	0	2	-63	-9	-40	19
Free cash flow bef A&D, lease adj	0	0	0	0	0	0	3	1	6	9	19
Dividends paid	0	0	0	0	0	0	0	0	-1	-3	-4
Equity issues / buybacks	0	0	0	0	0	0	0	44	0	0	0
Net change in debt	0	0	0	0	0	0	0	42	-3	20	-10
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	5	5	0
Change in cash	0	0	0	0	1	1	1	27	-7	-17	4
Cash flow metrics											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	0.0%	0.0%	6.9%	7.3%	5.0%	14.3%	14.2%
Capex/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.4%	0.3%	0.9%	0.8%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8	15	16	16
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	101	279	286	286
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	136	318	363	349
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	18.3	18.3

Source: Company data and Nordea estimates

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Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea Markets Division, Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland Tel: +358 9 1651 Fax: +358 9 165 59710 Reg.no. 2858394-9 Satamaradankatu 5 Helsinki	Nordea Markets Division, Research Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Nordea Markets Division, Research Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark Tel: +45 3333 3333 Fax: +45 3333 1520	Nordea Markets Division, Research Visiting address: Essendropsgate 7 N-0107 Oslo Norway Tel: +47 2248 5000 Fax: +47 2256 8650