

Relais

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Ostoskori kädessä eteenpäin" published on 11/04/2021 at 11:16 pm

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Forward with shopping basket in hand

In Q3 Relais grew faster than the market even organically. Profitability was good, but its comparability was low. We raised our 2021-2023 net sales estimates slightly and our EBITA estimates more clearly. Thus, we raise our target price to EUR 26.00 (25.00), but due to the relatively tight valuation we reiterate our Reduce recommendation.

Q3 figures exceeded our expectations

Q3 net sales (+79% y-o-y) clearly exceeded our expectations, but forecasting was challenging due to major structural changes. Relais estimates that it has grown organically at good 10% y-o-y, which is faster than the market. Additional growth was brought by new products from Strands consolidated at the beginning of the year, that specializes in lighting solutions, strong cross selling with Relais' other Swedish units and product exports to e.g. Germany and Canada. The global component shortage was not yet visible in Relais' net sales in Q3, but deliveries started to become delayed due to a blockage in logistics. Q3 EBITA margin (14.2%) exceeded our estimates. The margin decrease from one year back was due to structural changes and especially the impact of the Raskone deal. In items under operating profit, net financial costs were surprisingly high probably due to exchange rate losses. Earnings per share was in line with our expectations.

Improving sales mix increases our margin forecasts

Q4 is seasonally important for Relais, and the company is confident in its delivery capacity so far. The development in October has not given rise to concern and global spare parts manufacturers talk more about delays than lack of delivery capacity. Relais also gets help from its relatively high position on the priority list of part suppliers. However, the impact of cost increases in components and materials is only becoming visible. The price increases in purchased parts can be fully passed on to Relais' own prices, but only with a delay. Based on encouraging Q3 numbers and company comments, we have raised our 2021-2023 net sales estimates a little. However, our growth estimates for 2022-2023 remain almost unchanged (now +17% and +3% y-o-y). With a stronger role of the high-margin lighting solutions business, we have raised our EBITA margin expectations for 2022-2023 by 0.3-0.4 percentage points.

Valuation still rather tight

The expected total return of Relais' share in the next few years is positive measured with the 18x P/E ratio (2022e) we accept for the company but does not reach the return requirement. Thus, the risk-adjusted return expectation is weak. With the 2022 P/E ratio, the share is valued 5% below the peer group median and with the adjusted EV/EBIT ratio of the same year it is 6% above the peer group median. Overall, the share valuation is thus on par with the peers. The share is valued as much as 40% higher than the DCF value but this is because our DCF model does not take future acquisitions into consideration at all. The usefulness of the DCF model is therefore minor in the current situation.

Overall, we believe that the share is still fully priced. Possible future positive drivers would be news of new, reasonably sized and affordable acquisitions. Otherwise, share price development will be quite stable before the next earnings report.

Recommendation

Reduce

(previous Reduce)

EUR 26.00

(previous EUR 25.00)

Share price:

25.20



Key figures

	2020	2021e	2022e	2023e
Revenue	128.9	234.7	273.9	282.6
growth-%	30%	82%	17%	3%
EBIT adj.	18.7	30.7	35.7	36.8
EBIT-% adj.	14.5 %	13.1 %	13.0 %	13.0 %
Net Income	6.9	9.0	14.0	15.2
EPS (adj.)	0.87	1.21	1.44	1.49

P/E (adj.)	17.0	20.8	17.4	16.9
P/B	3.4	5.1	4.7	4.4
Dividend yield-%	2.0 %	1.6 %	2.0 %	2.1 %
EV/EBIT (adj.)	14.8	17.4	14.7	13.9
EV/EBITDA	14.5	16.5	14.1	13.5
EV/S	2.1	2.3	1.9	1.8

Source: Inderes

Guidance

(Adjusted)

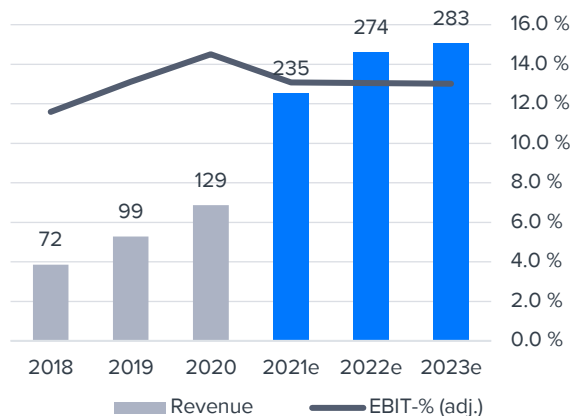
Disruptions in global supply chains, higher material and delivery costs, and possible delays in deliveries caused by global semiconductor shortages make it difficult to assess the business for the rest of the year. Therefore, Relais does not provide a numeric guidance for financial year 2021.

Share price



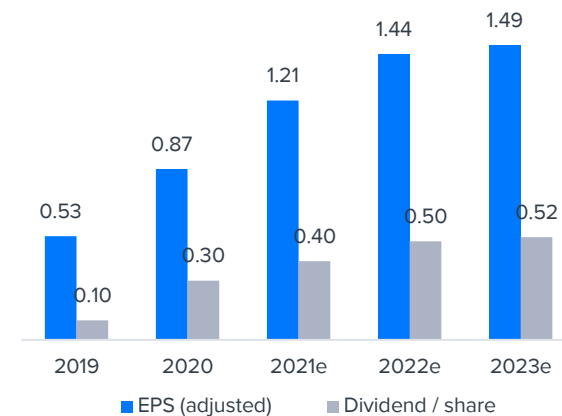
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Stable market that is not dependent on new vehicle sales
- Relais' specialization on growing electrical parts market
- Good track record with acquisitions
- Upcoming acquisitions
- Flexible cost structure



Risk factors

- Increasing activity of car importers and authorized dealers on the after market
- International wholesalers entering Nordic markets
- New digital marketplaces and different business models
- Increasing share of electric vehicles creates pressure on the growth of the spare parts market in the long term

Valuation	2021e	2022e	2023e
Share price	25.2	25.2	25.2
Number of shares, millions	17.8	18.0	18.1
Market cap	450	450	450
EV	535	526	511
P/E (adj.)	20.8	17.4	16.9
P/E	50.0	32.4	29.9
P/FCF	neg.	24.6	17.0
P/B	5.1	4.7	4.4
P/S	1.9	1.6	1.6
EV/Sales	2.3	1.9	1.8
EV/EBITDA	16.5	14.1	13.5
EV/EBIT (adj.)	17.4	14.7	13.9
Payout ratio (%)	79.3%	64.3%	61.7%
Dividend yield-%	1.6%	2.0%	2.1%

Source: Inderes

Estimates

Estimates	Q3'20	Q3'21	Q3'21e	Q3'21e	Consensus		Difference (%)	2021e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	32.7	58.6	57.0				3%	232
EBITA	5.5	8.3	7.7				9%	29.6
EBIT	3.6	5.0	4.6				9%	17.1
PTP	2.8	4.2	4.1				3%	14.4
EPS (adj.)	0.21	0.32	0.32				0%	1.19
EPS (reported)	0.10	0.13	0.14				-8%	0.49
Revenue growth-%	0.0 %	79.2 %	74.1 %				5 pp	79.8 %
EBITA-%	16.7 %	14.2 %	13.4 %				0.8 pp	12.7 %

Source: Inderes

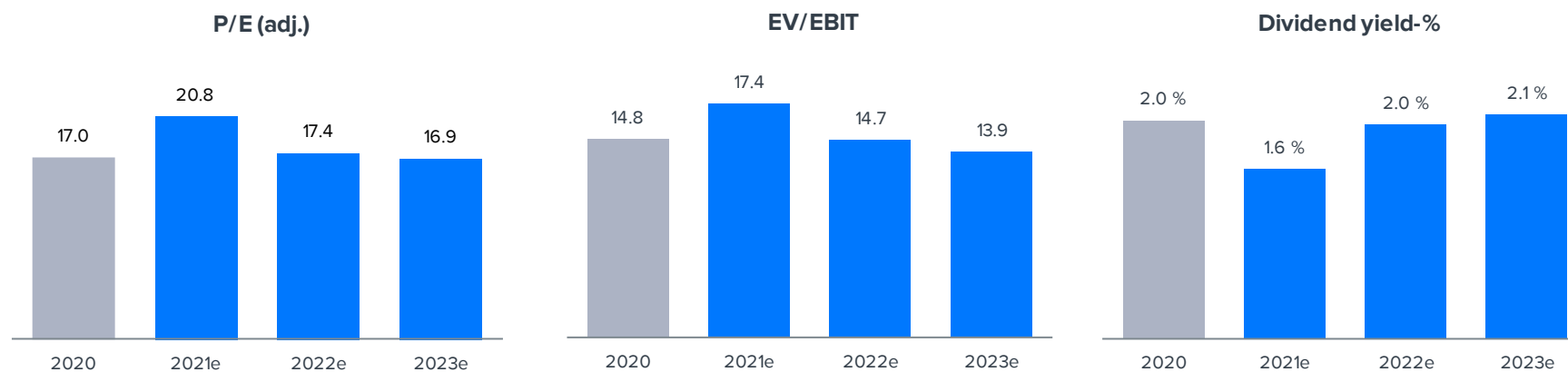
Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	232	235	1%	269	274	2%	276	283	2%
EBIT (exc. NRIs)	29.6	30.7	4%	34.2	35.7	4%	36.2	36.8	2%
EBIT	17.1	18.1	6%	22.2	23.7	7%	24.4	25.1	3%
PTP	14.4	15.2	5%	19.6	21.1	8%	21.9	22.6	3%
EPS (excl. NRIs)	1.19	1.21	2%	1.38	1.44	5%	1.46	1.49	2%
DPS	0.40	0.40	0%	0.47	0.50	6%	0.52	0.52	0%

Source: Inderes

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price				8.25	14.70	25.20	25.20	25.20	25.20
Number of shares, millions				16.2	16.8	17.8	18.0	18.1	18.2
Market cap				134	247	450	450	450	450
EV				168	277	535	526	511	494
P/E (adj.)				15.7	17.0	20.8	17.4	16.9	15.8
P/E				>100	35.6	50.0	32.4	29.9	26.7
P/FCF				neg.	47.7	neg.	24.6	17.0	16.0
P/B				2.1	3.4	5.1	4.7	4.4	4.1
P/S				1.4	1.9	1.9	1.6	1.6	1.5
EV/Sales				1.7	2.1	2.3	1.9	1.8	1.7
EV/EBITDA				12.6	14.5	16.5	14.1	13.5	12.4
EV/EBIT (adj.)				13.0	14.8	17.4	14.7	13.9	12.7
Payout ratio (%)				421.4 %	72.7 %	79.3 %	64.3 %	61.7 %	58.2 %
Dividend yield-%				1.2 %	2.0 %	1.6 %	2.0 %	2.1 %	2.2 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2021e
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	
Kamux Oyj	13.71	539	607	20.0	16.2	14.5	12.3	0.7	0.6	23.3	19.2	1.6	1.8	5.1
Mekonomen AB	147.10	847	1260	11.9	11.6	7.1	6.8	1.0	1.0	11.2	10.8	1.7	2.5	1.6
Thule Group AB	520.00	5315	5392	22.2	21.8	20.9	20.4	5.2	4.9	29.1	28.6	2.5	2.7	9.6
Inter Cars SA	452.00	1400	1706	12.1	11.9	10.1	9.9	0.7	0.7	13.6	14.5	0.3	1.4	2.3
Motorpoint Group PLC	354.00	388	546	41.5	21.5	33.9	17.9	0.6	0.4	49.4	23.6			
HELLA GmbH & Co KGaA	60.36	6700	6685	15.7	14.5	8.2	7.7	1.1	1.0	22.5	20.3	1.4	1.5	2.8
Valeo SE	26.16	6291	10394	17.6	10.2	4.6	3.9	0.6	0.5	38.3	11.7	1.7	3.3	1.8
LKQ Corp	57.22	14272	16135	12.0	11.8	10.3	10.2	1.4	1.4	14.7	14.2	0.4	1.8	2.7
Dorman Products Inc	110.48	3003	3169	19.4	16.6	16.2	14.3	2.8	2.4	23.6	20.4			3.7
Advance Auto Parts Inc	231.23	12533	12726	14.8	13.6	11.7	10.9	1.4	1.3	20.2	18.1	1.4	1.6	4.6
Uni-Select Inc	18.73	575	958	29.4	13.6	8.8	7.9	0.7	0.6	22.9	15.6			
Genuine Parts Co	134.37	16464	17779	15.8	14.3	12.7	11.9	1.1	1.1	20.0	18.7	2.4	2.7	5.9
Relais (Inderes)	25.20	450	535	17.4	14.7	16.5	14.1	2.3	1.9	20.8	17.4	1.6	2.0	5.1
Average				19.4	14.8	13.2	11.2	1.4	1.3	24.1	18.0	1.5	2.1	4.0
Median				16.7	14.0	11.0	10.5	1.0	1.0	22.7	18.4	1.6	1.8	3.2
Diff-% to median				5%	6%	50%	34%	121%	91%	-8%	-5%	-1%	11%	56%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue	37.7	61.2	98.9	59.0	70.0	129	106	129	235	274	283	292
Relais Group	37.7	61.2	98.9	59.0	70.0	129	106	129	235	274	283	292
EBITDA	4.0	9.3	13.3	7.7	11.4	19.1	13.0	19.4	32.4	37.3	37.8	39.9
Depreciation	-1.9	-3.6	-5.5	-4.0	-4.0	-8.0	-6.9	-7.4	-14.3	-13.6	-12.7	-12.7
EBIT (excl. NRI)	3.9	9.1	13.0	7.5	11.2	18.7	12.2	18.5	30.7	35.7	36.8	38.9
EBIT	2.2	5.7	7.9	3.7	7.4	11.1	6.1	12.0	18.1	23.7	25.1	27.2
Relais Group	2.2	5.7	7.9	3.7	7.4	11.1	6.1	12.0	18.1	23.7	25.1	27.2
Net financial items	-1.9	-3.4	-5.4	-1.4	0.7	-0.7	-1.5	-1.4	-2.9	-2.6	-2.5	-2.2
PTP	0.2	2.3	2.5	2.3	8.1	10.4	4.5	10.6	15.2	21.1	22.6	25.0
Taxes	-0.4	-1.5	-1.9	-1.3	-2.1	-3.4	-2.2	-3.9	-6.1	-7.1	-7.3	-7.9
Minority interest	-0.1	-0.1	-0.2	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0
Net earnings	-0.3	0.7	0.4	0.9	6.0	6.9	2.3	6.7	9.0	14.0	15.2	17.2
EPS (adj.)	0.17	0.36	0.53	0.28	0.58	0.87	0.47	0.74	1.21	1.44	1.49	1.59
EPS (rep.)	-0.02	0.04	0.02	0.06	0.36	0.41	0.13	0.38	0.50	0.78	0.84	0.95
Key figures	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue growth-%	12.1 %	57.8 %	36.6 %	56.3 %	14.3 %	30.3 %	79.4 %	84.3 %	82.1 %	16.7 %	3.2 %	3.2 %
Adjusted EBIT growth-%	9.9 %	87.0 %	54.6 %	93.2 %	23.3 %	44.2 %	63.0 %	64.8 %	64.1 %	16.4 %	3.0 %	5.9 %
EBITDA-%	10.7 %	15.2 %	13.5 %	13.1 %	16.3 %	14.8 %	12.3 %	15.0 %	13.8 %	13.6 %	13.4 %	13.7 %
Adjusted EBIT-%	10.3 %	14.9 %	13.1 %	12.7 %	16.0 %	14.5 %	11.5 %	14.3 %	13.1 %	13.0 %	13.0 %	13.4 %
Net earnings-%	-0.7 %	1.1 %	0.4 %	1.6 %	8.6 %	5.4 %	2.1 %	5.2 %	3.8 %	5.1 %	5.4 %	5.9 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	55.4	59.7	112	98.5	86.8
Goodwill	53.7	58.2	107	94.6	82.9
Intangible assets	0.5	0.5	1.7	1.7	1.7
Tangible assets	0.7	0.7	2.7	1.6	1.7
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.1	0.1	0.1	0.1	0.1
Other non-current assets	0.0	0.0	0.2	0.2	0.2
Deferred tax assets	0.3	0.3	0.3	0.3	0.3
Current assets	87.7	94.9	123	143	148
Inventories	43.1	44.3	63.4	73.9	76.3
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	15.0	16.0	31.2	36.4	37.6
Cash and equivalents	29.6	34.7	28.2	32.9	33.9
Balance sheet total	143	155	234	242	235

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	63.7	72.3	89.4	96.3	102
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	12.6	15.6	19.6	26.5	32.7
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	51.0	56.2	69.3	69.3	69.3
Minorities	0.0	0.3	0.4	0.4	0.4
Non-current liabilities	61.8	61.1	73.7	63.7	53.7
Deferred tax liabilities	2.3	2.8	3.2	3.2	3.2
Provisions	0.0	0.2	0.3	0.3	0.3
Long term debt	59.4	58.0	70.0	60.0	50.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.1	0.2	0.2	0.2
Current liabilities	17.5	21.3	71.2	81.7	78.4
Short term debt	4.8	5.0	41.9	47.5	43.1
Payables	12.8	16.3	29.3	34.2	35.3
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	143	155	234	242	235

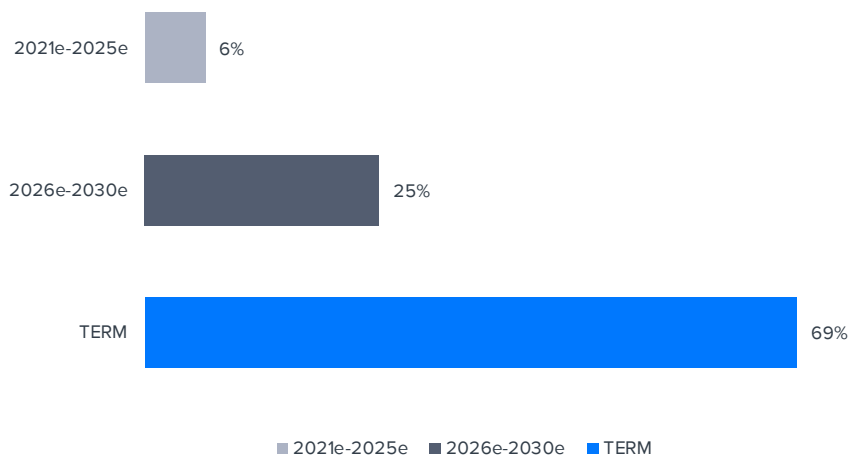
DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	11.1	18.1	23.7	25.1	27.2	29.0	29.3	29.5	29.7	34.5	32.5	
+ Depreciation	8.0	14.3	13.6	12.7	12.7	12.8	12.8	12.8	12.9	9.8	6.5	
- Paid taxes	-2.9	-5.7	-7.1	-7.3	-7.9	-8.3	-8.5	-8.6	-8.6	-9.0	-7.9	
- Tax, financial expenses	-0.3	-0.7	-0.6	-0.6	-0.5	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	
+ Tax, financial income	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	
- Change in working capital	1.3	-21.3	-10.9	-2.4	-2.5	-2.4	-2.3	-2.2	-2.1	-2.0	-1.8	
Operating cash flow	17.4	4.8	18.8	27.5	29.1	30.6	31.0	31.3	31.6	33.0	29.1	
+ Change in other long-term liabilities	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-12.4	-66.2	-0.5	-1.0	-1.1	-1.1	-1.1	-1.1	-1.2	-1.2	-1.2	
Free operating cash flow	5.2	-61.2	18.3	26.4	28.1	29.5	29.9	30.2	30.4	31.8	27.8	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.2	-61.2	18.3	26.4	28.1	29.5	29.9	30.2	30.4	31.8	27.8	489
Discounted FCFF		-60.5	16.7	22.5	22.1	21.6	20.3	19.0	17.8	17.2	14.0	246
Sum of FCFF present value		356	417	400	378	355	334	314	295	277	259	246
Enterprise value DCF		356										
- Interesting bearing debt		-63.0										
+ Cash and cash equivalents		34.7										
-Minorities		-1.9										
-Dividend/capital return		-5.0										
Equity value DCF		321										
Equity value DCF per share		17.98										

Wacc	
Tax-% (WACC)	21.3 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.0 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	7.8 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	72.5	98.9	128.9	234.7	273.9	EPS (reported)	0.36	0.03	0.41	0.50	0.78
EBITDA	8.7	13.3	19.1	32.4	37.3	EPS (adj.)	0.67	0.53	0.87	1.21	1.44
EBIT	5.7	7.9	11.1	18.1	23.7	OCF / share	0.71	-0.19	1.04	0.27	1.04
PTP	4.8	2.5	10.4	15.2	21.1	FCF / share	0.81	-0.98	0.31	-3.43	1.01
Net Income	3.1	0.4	6.9	9.0	14.0	Book value / share	1.92	3.93	4.28	4.99	5.32
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	47.7	143.0	154.6	234.3	241.7	Revenue growth-%	20%	37%	30%	82%	17%
Equity capital	17.2	63.7	72.3	89.4	96.3	EBITDA growth-%	5%	53%	43%	69%	15%
Goodwill	4.9	53.7	58.2	106.7	94.6	EBIT (adj.) growth-%	37%	55%	44%	64%	16%
Net debt	17.1	34.5	28.3	83.7	74.6	EPS (adj.) growth-%	-73%	-21%	65%	40%	19%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	12.1 %	13.5 %	14.8 %	13.8 %	13.6 %
EBITDA	8.7	13.3	19.1	32.4	37.3	EBIT (adj.)-%	11.6 %	13.1 %	14.5 %	13.1 %	13.0 %
Change in working capital	-2.4	-15.1	1.3	-21.3	-10.9	EBIT-%	7.9 %	7.9 %	8.6 %	7.7 %	8.7 %
Operating cash flow	6.1	-3.1	17.4	4.8	18.8	ROE-%	22.7 %	1.0 %	10.2 %	11.2 %	15.2 %
CAPEX	-0.8	-54.7	-12.4	-66.2	-0.5	ROI-%	15.8 %	9.6 %	10.1 %	10.8 %	11.8 %
Free cash flow	7.0	-15.9	5.2	-61.2	18.3	Equity ratio	36.0 %	44.5 %	46.7 %	38.2 %	39.8 %
						Gearing	99.7 %	54.2 %	39.2 %	93.6 %	77.5 %
Valuation multiples	2018	2019	2020	2021e	2022e						
EV/S		1.7	2.1	2.3	1.9						
EV/EBITDA (adj.)		12.6	14.5	16.5	14.1						
EV/EBIT (adj.)		13.0	14.8	17.4	14.7						
P/E (adj.)		15.7	17.0	20.8	17.4						
P/B		2.1	3.4	5.1	4.7						
Dividend%		1.2 %	2.0 %	1.6 %	2.0 %						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
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Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
18-10-19	Buy	9.00 €	7.35 €
24-02-20	Accumulate	9.00 €	8.37 €
28-02-20	Accumulate	9.00 €	8.25 €
27-03-20	Accumulate	7.00 €	6.51 €
10-08-20	Accumulate	8.50 €	7.80 €
17-08-20	Accumulate	9.50 €	8.68 €
08-12-20	Accumulate	12.00 €	10.15 €
15-12-20	Accumulate	13.00 €	12.25 €
05-01-21	Reduce	13.70 €	14.20 €
01-02-21	Reduce	16.50 €	15.60 €
26-02-21	Reduce	17.50 €	17.90 €
01-04-21	Reduce	18.00 €	17.80 €
13-08-21	Reduce	24.00 €	24.50 €
15-10-21	Reduce	25.00 €	25.30 €
05-11-21	Reduce	26.00 €	25.20 €



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