



Relais Group Plc

Half-year financial report January–June 2022

August 11, 2022

CEO Arni Ekholm and CFO Pekka Raatikainen

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Presenting today:



Arni Ekholm
CEO



Pekka Raatikainen
CFO

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Content

- The core of Relais Group
- Relais value creation model
- Business review January–June
- Financial review January–June
- The aftermarket and M&A strategy
- Strategy and long-term target

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The core of Relais Group

What is the core of Relais Group

Relais is a sector-focused consolidator who delivers shareholder value by combining strong earnings growth with the creation of a modern and stable long-term player in the changing mobility landscape.

- Focused on the aftermarket
- Strong earnings growth through three reinforcing themes:
 - Acquisitions
 - Synergies
 - Operational improvements
- Overall direction guided by a solid understanding of underlying medium- and long-term trends (Mobility market, ESG, demographics, e-commerce, etc.)

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Relais value creation model

Relais value creation model

Mobility Aftermarket Consolidator

BUY AND BUILD

Invest right

Confirm healthy core: Good management, stable profitability
Identify robust and meaningful value creation potential (stand-alone, synergies, M&A)
Leverage Relais' "insider" knowledge of target companies and sector

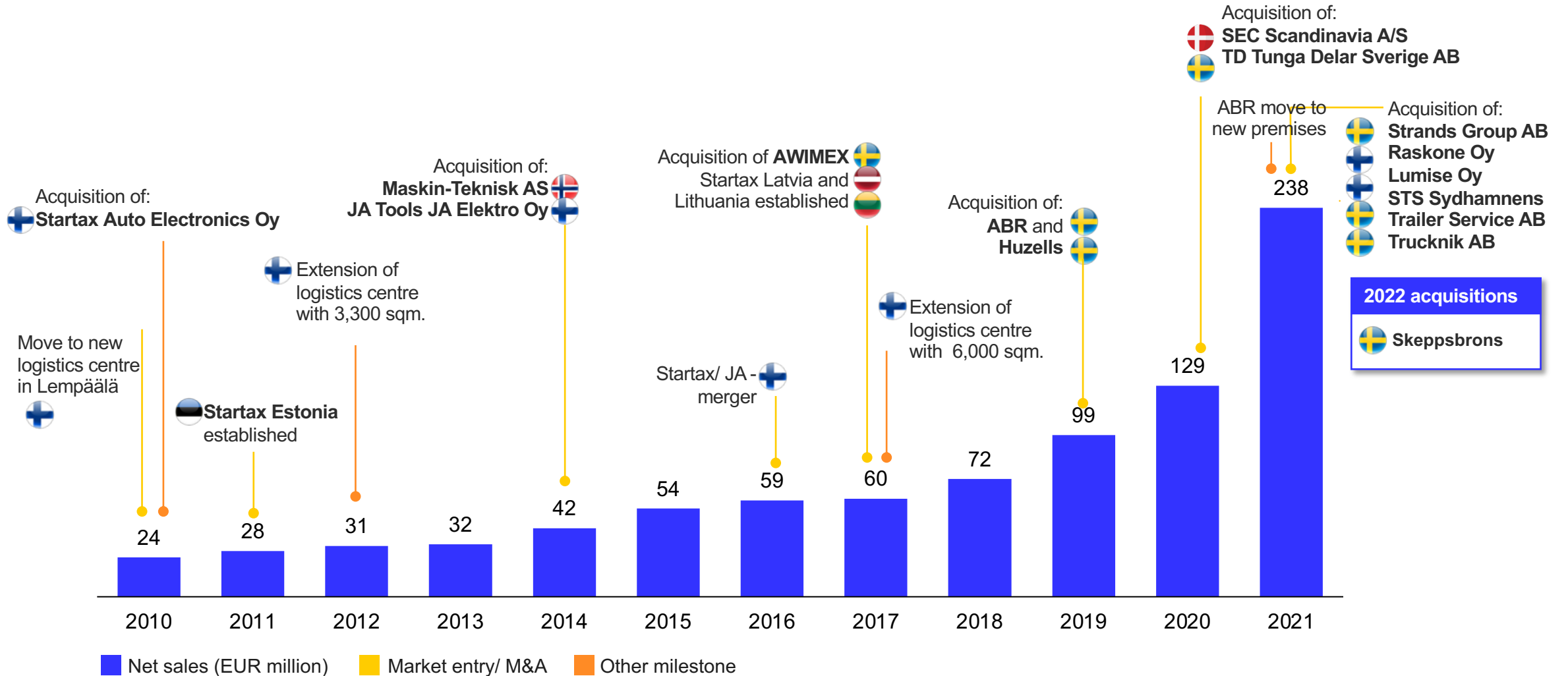
Build great businesses

Professionalize the running of acquired companies
Increase focus on execution and strategy

Accelerate growth

Enable intercompany synergies
Add-on acquisitions

Strong growth supported by acquisitions



Relais Group companies

Wholesale of spare parts and equipment



Commerical vehicle repair and maintenance chains



Lighting, power management and e-commerce



Over 1,000
professionals in
6 countries



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Group Management Team (as of 11.8.2022)



**Arni Ekholm,
M.Sc. (Econ.)**
(b. 1964, Finnish)

**Chief Executive
Officer**



**Pekka Raatikainen,
M.Sc. (Econ.)**
(b. 1969, Finnish)

**Chief Financial
Officer**



Juan Garcia
(b. 1970, Swedish)

**PMO and Regional
Managing Director,
Scandinavia**



Ville Mikkonen
(b. 1977, Finnish)

**Managing Director
Startax Finland and
Baltics**



Johan Carlos
(b. 1990, Swedish)

**Managing Director
Strands Lighting
Division**



Jan Popov
LLM
(b. 1989, Finnish)

**Managing Director
Raskone**



Sebastian Seppänen
B.Sc. (Econ)
(b. 1990, Finnish)

**Director M&A and
Business Development**



Jon Strand
(b. 1976, Swedish)

**Interim Marketing and Sales
Development Director**

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Business review
January–June 2022

January–June 2022 recap: Q1 comments

- Market conditions under **Q1** were **exceptionally challenging**. The mild winter conditions, the war in Ukraine and the resulting steep rise of the energy and fuel prices, combined with the increased sick leaves caused by Covid-19 all affected the market demand negatively and simultaneously produced challenges in having personnel in place when demand actually was present.
- At the time of the Q1 publication, we saw some signs of a **partial market normalization**, but remained cautious in assessing the outlook due to the uncertain market situation.

January–June 2022 recap: business mix

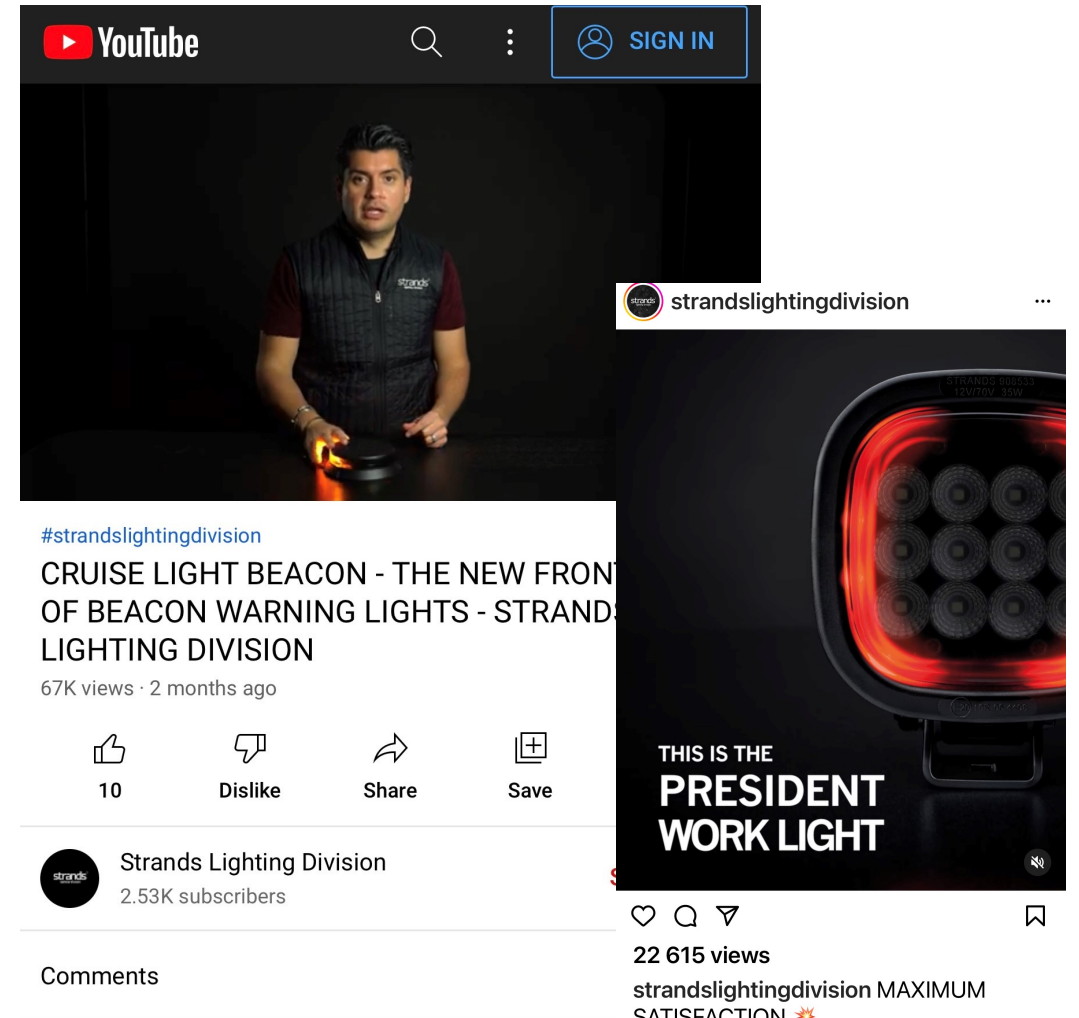
- From a **business mix** perspective, there were several different **coinciding factors** affecting the Group's total result:
- In the **commercial vehicle maintenance and repair business** there were considerable capacity and demand **constraints** in Q1 due to **Covid-19**. In Q2 the customer demand **recovered**, but the lack of additional **mechanics** constrained our organic growth in that business.
- As part of the optimization of the Raskone **workshop network** two locations were **discontinued** late 2021. The negative net sales and EBITDA effect of the closed workshops during H1/2022 were 2.8 MEUR and 0.2 MEUR respectively. The related **overhead cost optimization** measures done at Raskone during H1 will only start to kick in during the latter part of H2.
- In the Group's **wholesale business**, the soft Q1 customer and consumer demand resulted in a **negative organic growth** of that business during the quarter, and we believe, for the entire market.
- The **partial recovery** of the demand during **Q2** was not enough to lift the **total organic growth** of the wholesale business to positive level for the entire H1, thus being unable to cover for the shortfall in the commercial vehicle repair and maintenance business.

January–June 2022 recap: repair and maintenance business

- Raskone and STS have seen **good underlying demand** for repair jobs during Q2.
- Biggest bottleneck for both companies has been the **shortage of skilled labor**. The Covid-19 related sick leaves affected the capacity utilization still during April, but in May-June the lack of mechanics was the biggest single contributor slowing down the growth.
- Several **actions to remediate** the situation have already been accelerated, e.g. cooperation with recruitment platforms and direct search agencies, expanding the recruitment base to the Baltic states, increased cooperation with local technical schools and investing in the HR organization.
- In addition, Raskone has implemented some changes in the salary system for the mechanics during Q2, moving some parts of the variable salary into the fixed salary of the mechanics. These changes had a temporary negative impact on EBITA of EUR 0.2 million in Q2 but are estimated to be cost neutral on an annual level and to contribute **positively to employee retention**.

January–June 2022 recap: Lighting and equipment business

- The export driven success of Strands continued.
- By use of **innovative social media marketing**, active cooperation with the customers and launch of several interesting **new products** Strands has been able to expand its business especially in Germany and the Benelux markets.
- Over **65%** of Strands sales go now to markets outside Sweden.
- Strands has currently over **90,000** followers in Instagram and over **1.1 million** views on their YouTube channel so far this year, figures which clearly demonstrate the power of the brand.



January–June 2022 recap: Acquisitions

- We continued our active corporate **acquisition activities** in line with our strategy. Our latest acquisition is the Swedish company **Skeppsbrons Jönköping AB** carried out in May. This acquisition will further strengthen our position as the **biggest player** within the **independent commercial vehicle repair and maintenance** sector in the Nordic countries.
- We are continuously doing research on various acquisition targets, and we are on a regular basis talking with **several different parties** about possible acquisitions.
- We act in a **disciplined and methodological** manner and strive to find targets having a combination of good strategic fit, competent and committed management, good and sustainable profitability level, a realistic valuation and a strong future **growth potential** as a part of Relais Group.
- Our **sector focus** and in-depth knowledge of the vehicle aftermarket gives us a unique competitive advantage in doing corporate acquisitions. We believe that the current economic turbulence will trigger several **interesting acquisition opportunities** in the foreseeable future. We also expect to see a contraction of **valuation multiples** compared to what they have generally been during the past couple of years.

Operational efficiency measures

- We have initiated a pilot project in Startax Finland. The aim of the project is to improve the **net working capital efficiency** and define Group-wide best practices for further roll out in other group companies.
- Through the **new group management team structure**, there will be additional focus throughout the group on accelerating **synergy benefits** between the group-companies, especially in the areas of **procurement, supplier management, cross sales and product range harmonization**.
- Previously planned and now implemented **overhead cost optimization** measures at Raskone will start to kick in during the latter part of H2.
- As a reaction to the recent profitability development the company is developing an **action plan**. In the development of the plan, we are looking into several **profitability improvement measures**, including but not limited to, e.g. sourcing, pricing and capacity utilization.

Summary and outlook for H2 2022

- During H1, there were a **range of variables** that coincided and impacted our profit margins and the dynamics of the **business mix**.
- Some of these factors are outside of our control and contribute to the **considerable uncertainties** affecting the **market demand** during H2.
- The surging **inflation** caused mainly by the strong increase in energy and fuel prices, the ongoing war in Ukraine and the **general customer and consumer cautiousness** increase the difficulty of predicting the near future.
- On the other hand, the long delivery times of new vehicles typically increase the **demand of spare parts** and **repair and maintenance** as the existing vehicles are used more extensively.
- In addition, we have ramped up **our inventory of lighting products** to guarantee our ability to deliver products to our customers during the **important H2 season**.
- We feel that we are well prepared to meet the future challenges by further development of **operational efficiency** and tangible **action plans**, utilizing intercompany **synergies** and by pursuing corporate **acquisitions**.

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Financial review January–June 2022

Key figures January–June 2022

EUR thousand unless stated otherwise	2022	2021	2022	2021	2021
Net Sales	58,631	52,237	120,550	105,759	237,927
Net sales growth, %	12.2%	78.9%	14.0%	79.4%	84.5%
Gross profit	26,680	21,792	54,703	43,125	100,822
Gross margin, %	45.5%	41.7%	45.4%	40.8%	42.4%
EBITDA	4,225	5,371	10,830	13,019	30,981
EBITDA margin, %	7.2%	10.3%	9.0%	12.3%	13.0%
EBITA	3,729	4,817	9,833	12,206	29,271
EBITA margin, %	6.4%	9.2%	8.2%	11.5%	12.3%
Operating profit	-37	1,492	2,506	6,084	16,413
Operating profit margin, %	-0.1%	2.9%	2.1%	5.8%	6.9%
Profit (loss) for the period	-2,602	354	-2,226	2,265	7,708
Profit (loss) for the period margin, %	-4.4%	0.7%	-1.8%	2.1%	3.2%
Comparable profit (loss)	-2,436	354	-1,986	2,265	7,827
Comparable profit (loss) margin, %	-4.2%	0.7%	-1.6%	2.1%	3.3%
Comparable profit (loss) excluding amortisation of goodwill	1,330	3,678	5,340	8,387	20,685
Comparable profit (loss) excluding amortisation of goodwill margin, %	2.3%	7.0%	4.4%	7.9%	8.7%
Items affecting comparability included in profit (loss) for the period	166	0	240	0	119
Net working capital	70,285	58,968	70,285	58,968	63,001
Inventories	75,405	60,263	75,405	60,263	73,247
Free cash flow	1,339	-518	2,375	7,461	16,107
Cash conversion	31.7%	-9.6%	21.9%	57.3%	52.2%
Net debt	101,153	76,666	101,153	76,666	84,959
Net debt to EBITDA, annualised	4.7	2.9	4.7	2.9	2.9
Net gearing	119.1%	90.7%	119.1%	90.7%	95.3%
Equity ratio	36.1%	37.8%	36.1%	37.8%	37.9%
Return on investment (ROI) *)	-	-	5.2%	8.1%	11%
Return on equity (ROE) *)	-	-	-5.1%	5.9%	9.7%
Return on assets (ROA) *)	-	-	4.2%	6.9%	9.1%
Average number of employees	1,005	840	987	737	812
Personnel at the end of the period, FTE	1,023	854	1,023	854	950

*) Items affecting comparability and amortisation of goodwill not eliminated

Balance-sheet and financial position

The Group's balance-sheet total
EUR **234.9** (223.3)
million

The Group's equity
EUR **84.9**
(84.1)
million

Net debt
EUR **101.2** (76.7)
million

Net gearing
119.1 (90.7)
%

Equity ratio
36.1 (37.8)
%

Cash assets
EUR **6.8** (23.8)
million

Cash flow development

Cash flow from operations

EUR **-1.0** (5.1)
million

Cash flow from investments

EUR **-10.8** (-48.2)
million

Cash flow from financing

EUR **6.9** (32.1)
million

The development of cash flow was attributable to decision to increase product purchases for delivery security

The Group's cash flow from investments mainly consisted of additional consideration related to STS acquisition, acquisition of Skeppsbrons and purchase of minority shares of SEC Scandinavia and TD Tunga Delar Sverige

+Acquisition financing of EUR 16.5 million
+Share subscriptions EUR 0.2 million
-Dividend distribution EUR 6.5 million
-Repayment of loans EUR 3.3 million

Earnings per share

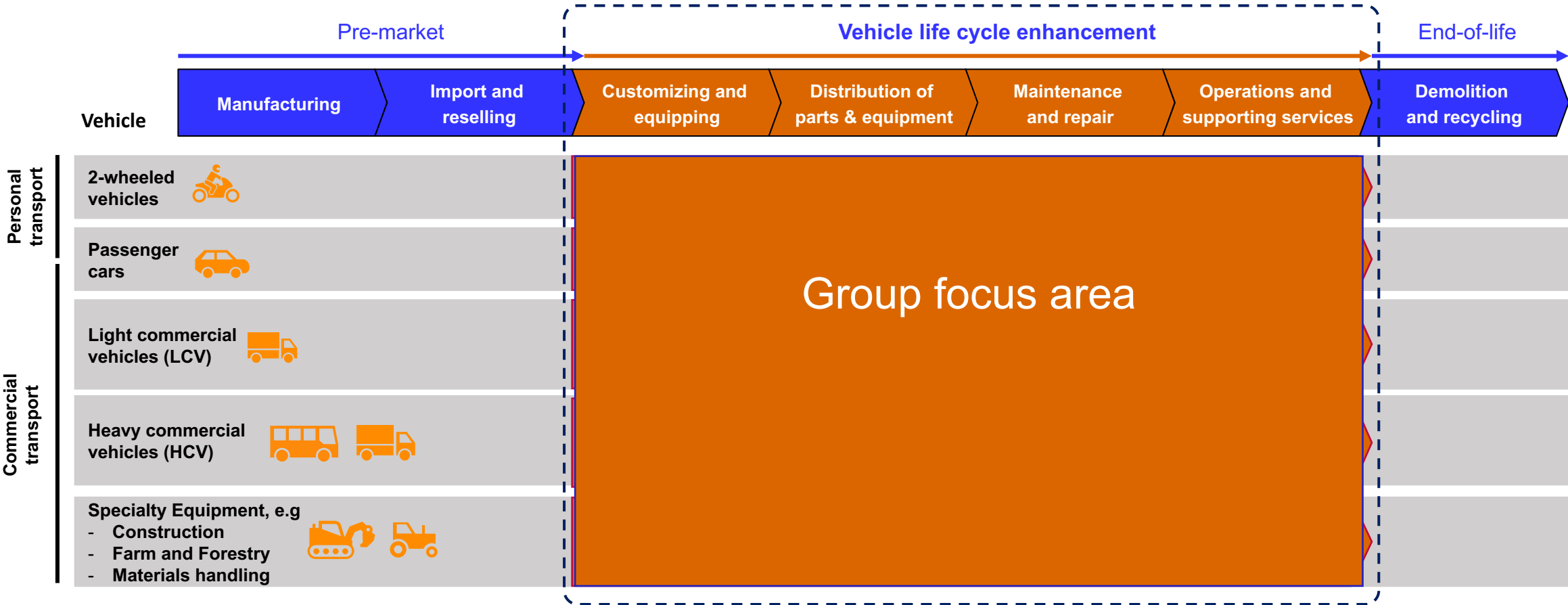
EUR	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Earnings per share, basic	-0.14	0.02	-0.12	0.13	0.44
Earnings per share, diluted	-0.14	0.02	-0.12	0.12	0.42
Comparable earnings per share, basic	-0.14	0.02	-0.12	0.13	0.44
Comparable earnings per share excluding amortisation on goodwill, basic	0.07	0.21	0.30	0.48	1.17
Comparable earnings per share, diluted	-0.14	0.02	-0.12	0.12	0.42
Comparable earnings per share excluding amortisation on goodwill, diluted	0.07	0.20	0.29	0.46	1.12

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Number of outstanding shares at the end of the period	18 132 308	17 941 433	18 132 308	17 941 433	17 941 433
Weighted average number of shares, basic	17 997 644	17 681 930	17 969 669	17 370 082	17 658 106
Weighted average number of shares, diluted	17 738 260	18 443 415	18 725 984	18 261 525	18 471 214

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The aftermarket and M&A
strategy

Relais consolidates the Nordic vehicle aftermarket



The aftermarket framework

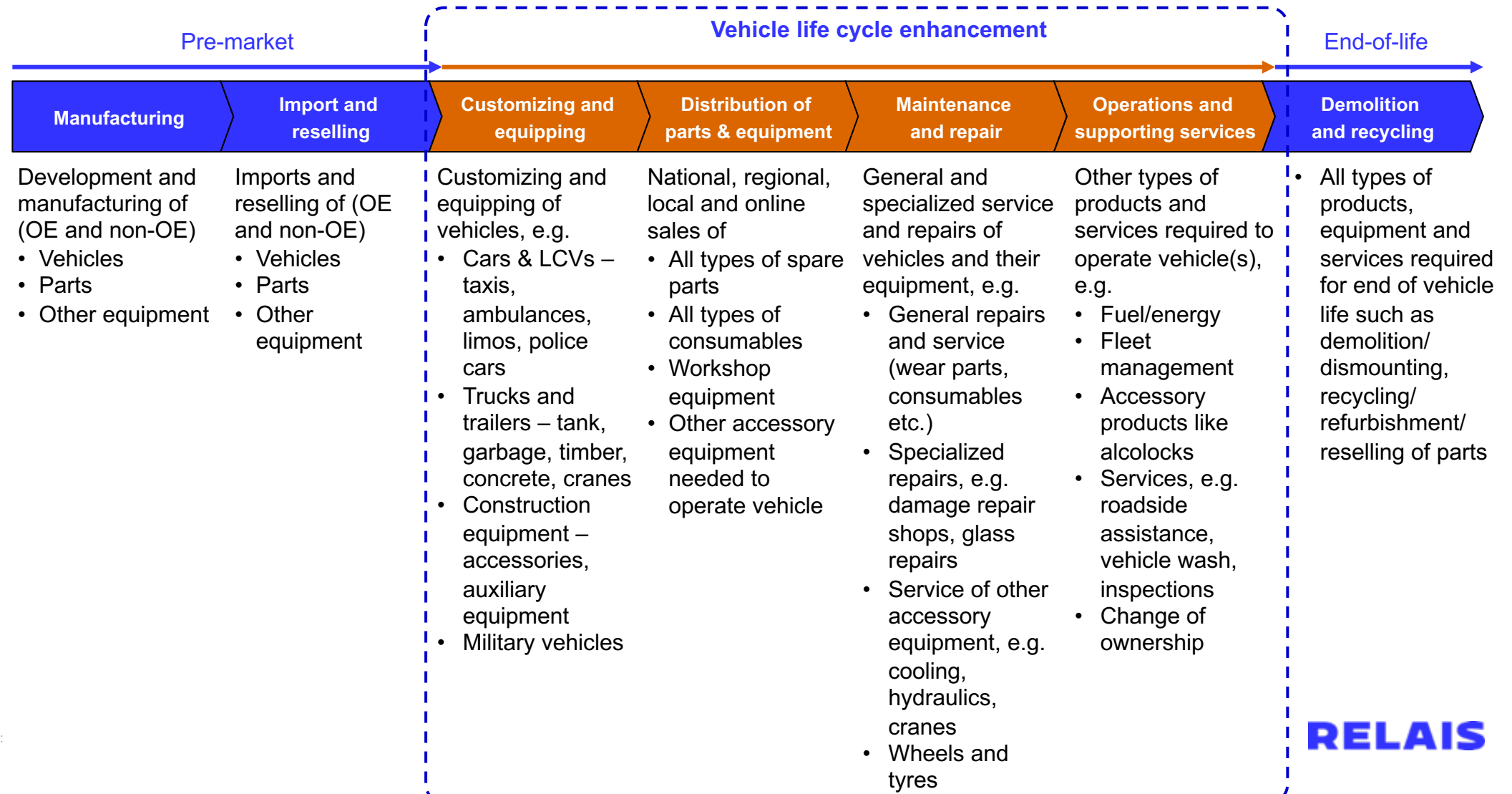
The Nordic vehicle aftermarket is huge *, and it has several dimensions, e.g.:

- Value chain segment: customizing, parts/equipment distribution, maintenance & repairs, car care, supporting services etc.
- Vehicle type: two-wheeler, passenger car, LCV, truck, bus, trailer, tractor, construction equipment etc.
- Product type: spare parts, consumables, tires, body parts, paint, workshop equipment, etc.
- Distribution role: national, regional or local wholesale, agents
- Customer type or segment: B2B vs B2C, fleets vs owner-operators, private vs. state/municipal, large vs small etc.

*Estimated size in the Nordics: EUR **20–40** billion, depending on the definition of the aftermarket

The aftermarket subsegments (illustrative)

An overall framework relevant for Relais Group



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Strategy and long-term target

Relais Group strategy

Growth through acquisitions – to be an active consolidator with a sector focus on the Nordic mobility aftermarket.

Organic growth – faster than the market supported by synergies, investing in own brands and fully utilizing e-commerce solutions.

Create added value for customers with a comprehensive product range, innovative digital solutions and superior customer service.

The aim is to reach a net sales of 500 MEUR*
in 2026

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Summary: Relais as an investment

Relais as an investment

- 📍 Active, sector focused consolidator with a strong track record of successful acquisitions
- 📍 Solid cash flow and profitability track record
- 📍 A growing underlying market with defensive characteristics
- 📍 Growing lighting business with own brands
- 📍 Global growth potential with own e-commerce solutions
- 📍 Effective and decentralized operating model





THANK YOU!