



**Relais Group Plc**

# **Q3/2022 Interim Management Report**

10 November 2022

**RELAIS**





Presenting today:



**Arni Ekholm**  
CEO



**Pekka Raatikainen**  
CFO

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# Content

- Relais in brief
- Business review Q3/2022
- IFRS transition in brief
- Financial review 1-9/2022
- Acquisition strategy
- Relais as an investment

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Relais in brief





**Relais Group Plc** is a leading Nordic **consolidator** and **smart compounder** with a **sector focus** on **vehicle aftermarket**

We serve as a **growth platform** for the companies we own

**Net sales 1-9/2022 (1-9/2021)**

MEUR **185.5** (164.3)  
+12.9%

**Comparable EBITDA 1-9/2022 (1-9/2021)**

MEUR **27.6** (26.9)  
+2.7%

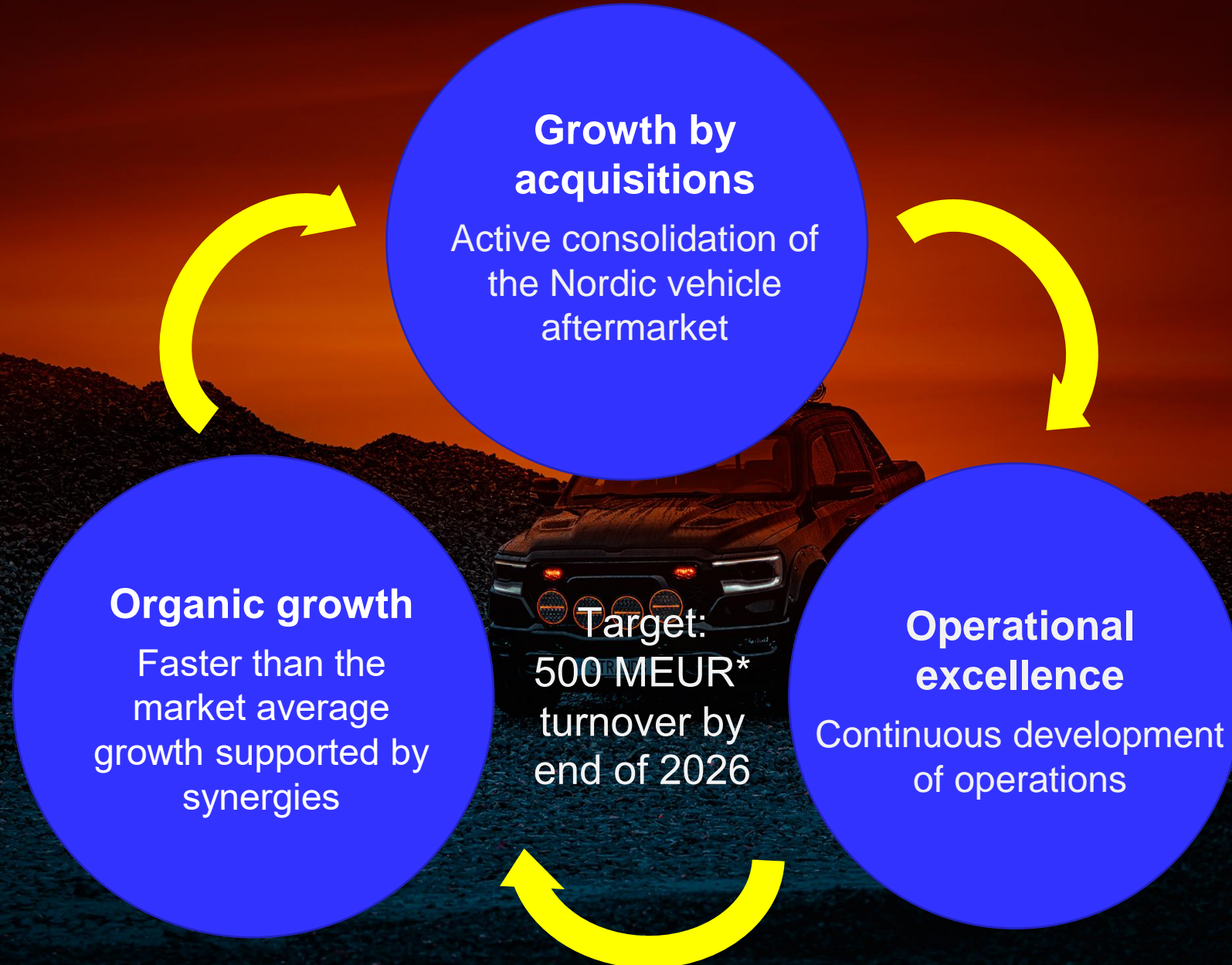
**Comparable EBITA 1-9/2022 (1-9/2021)**

MEUR **17.9** (19.6)  
-8.8%

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# Relais Group Growth Strategy



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\*pro forma



# Relais Group value creation model

**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' deep knowledge of target companies and aftermarket sector  
Confirm right valuation

## **Build great businesses**

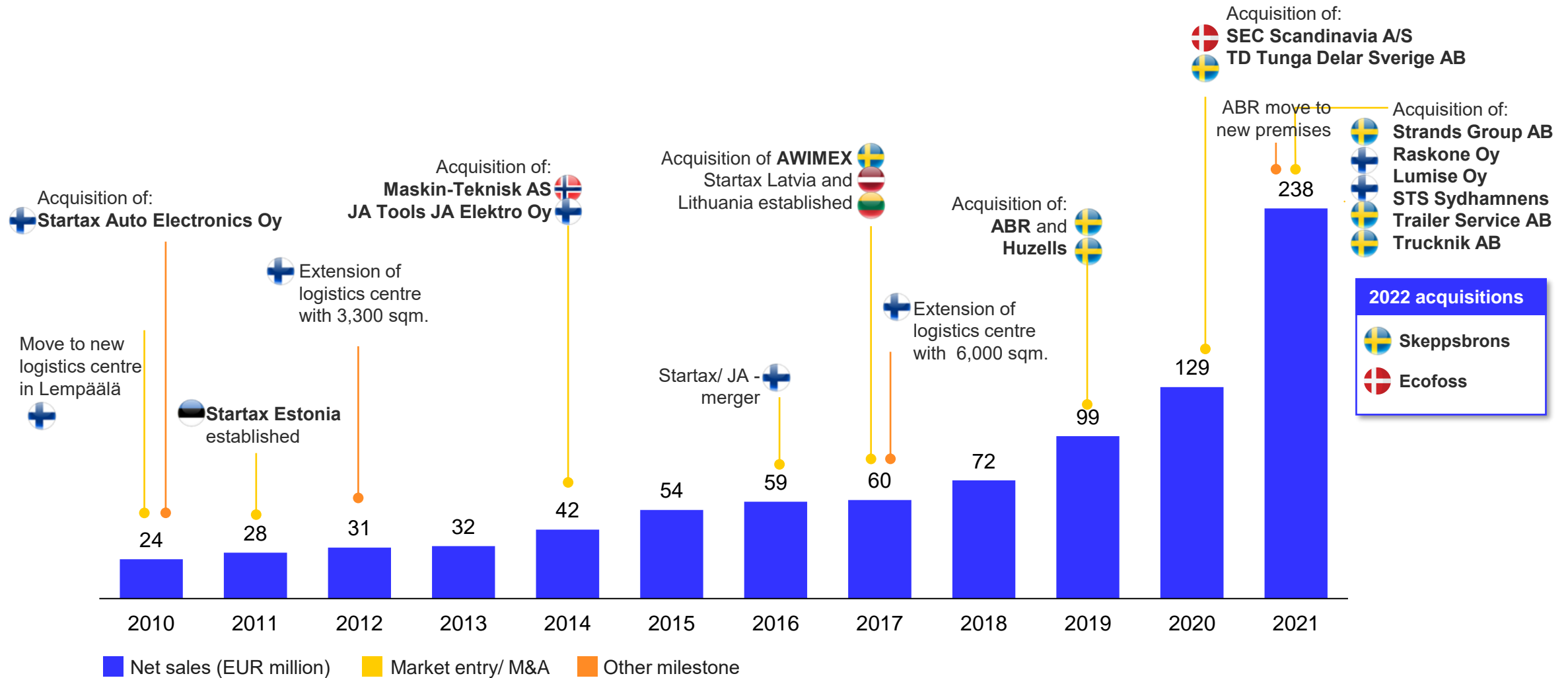
Further development of the acquired companies' operations and capabilities  
Full utilization of the synergies  
Increase focus on execution and strategy

## **Smart compounding**

Sector focus  
Competence compounding  
Add-on acquisitions  
Accelerating organic growth

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# Strong growth supported by acquisitions





# Relais Group companies

Wholesale of spare parts and equipment



Huzells



Commercial vehicle repair and maintenance



1,000  
professionals in  
6 countries

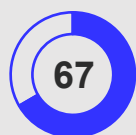
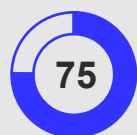
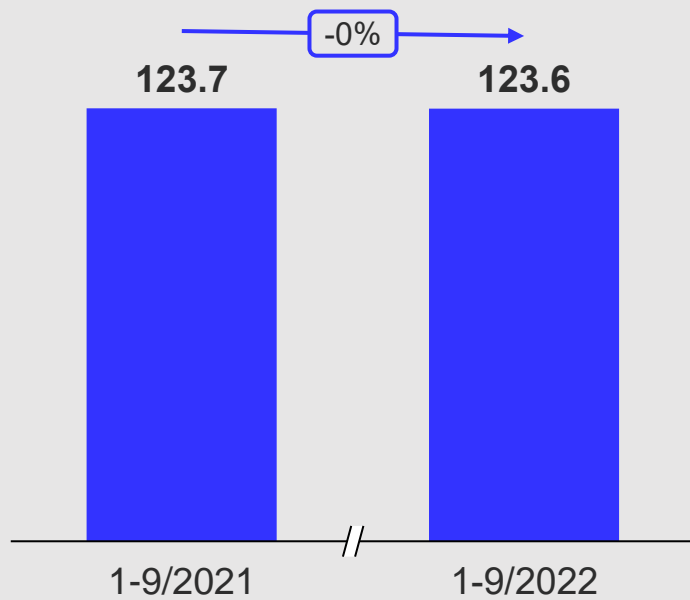


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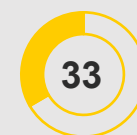
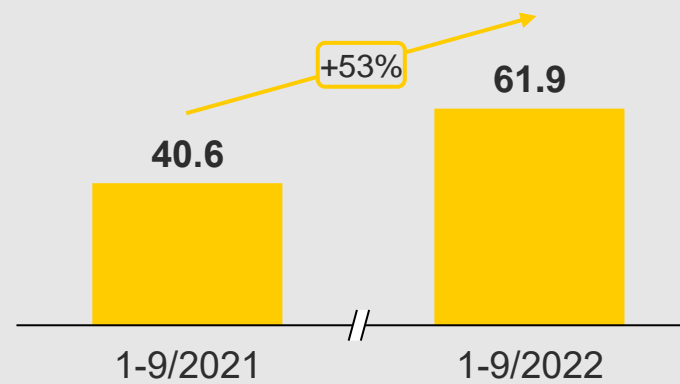
# Sales by business area, 1-9/2022

Net sales, EURM

% of group



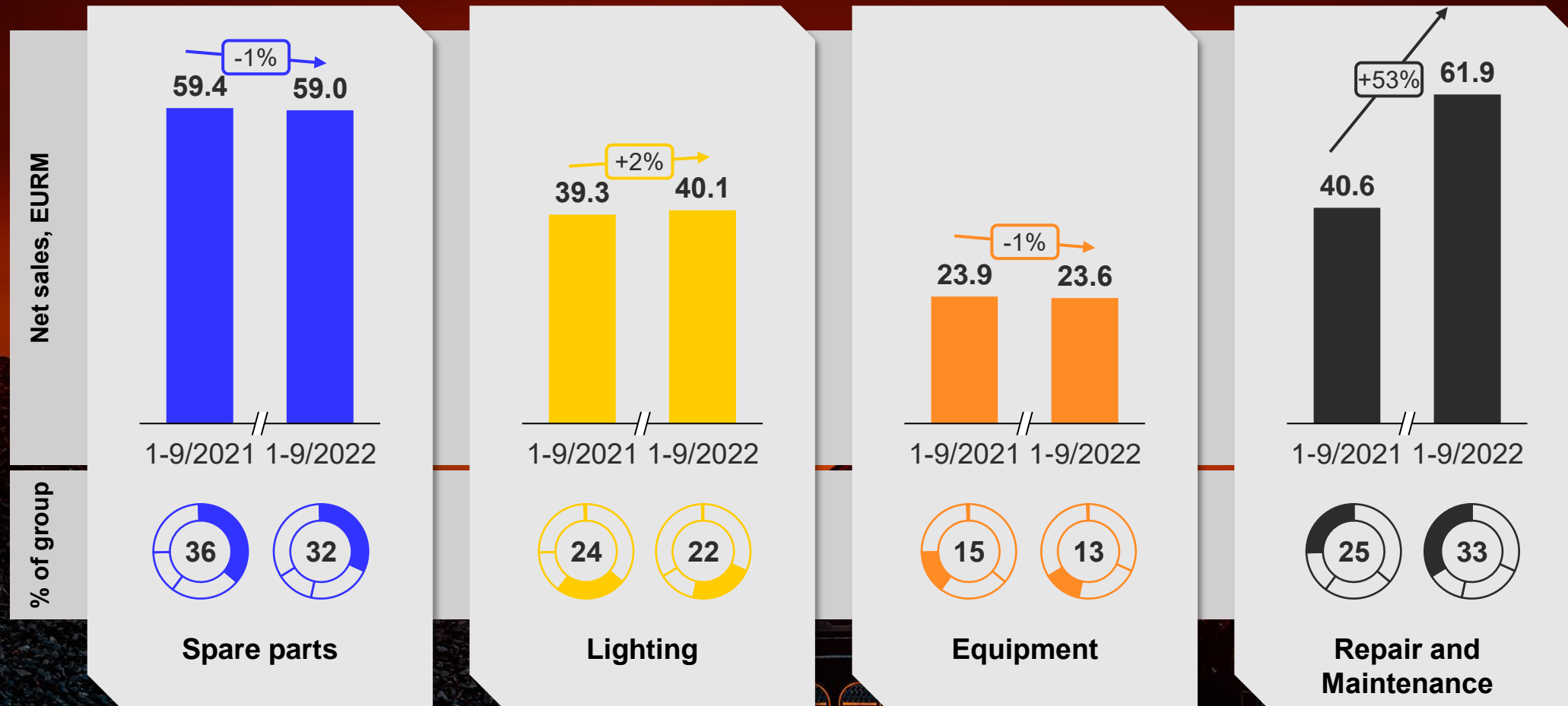
Wholesale



Repair and Maintenance



# Sales by product group, 1-9/2022



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Business review Q3 2022:  
A stable quarter



# Efficiency development actions

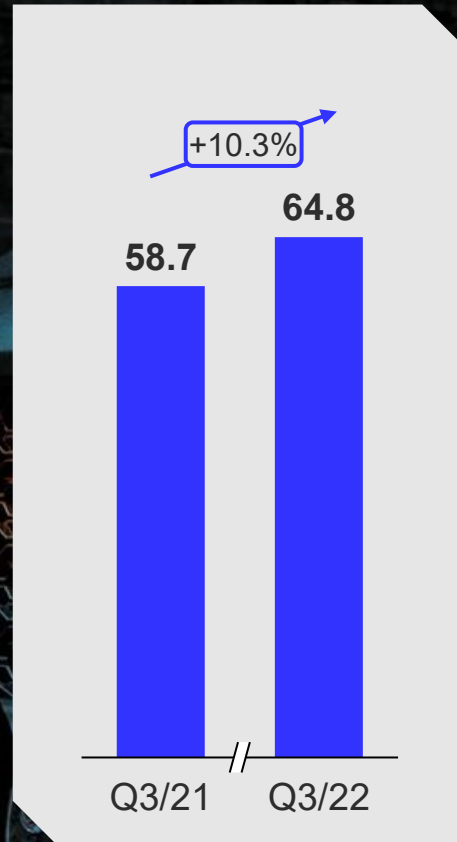


## Operational efficiency actions

- We have initiated **several actions** aiming at increasing the **operational efficiency** of the Group
- Program within the Finnish wholesale operations targeting at **lowering the level of net working capital** and increasing the efficiency of the **pricing process**
- We expect the level of net working capital to go down **during Q4** and the optimization of the pricing process is expected to increase the profitability **during next year**
- All Group companies have increased the amount of different **commercial activities** to minimize the effects of the **uncertain demand situation** caused by the general market conditions



# Q3 – A stable quarter



**+10.3%**  
Group sales growth

**+12%**  
Group sales growth  
with comparable exchange  
rates

**12.3%<sup>1</sup>**  
Comparable EBITA-%  
Profitability improved from  
the first two quarters of the  
year...

**6.2 EURM**  
Net cash flow from ops  
...and so did cash flow

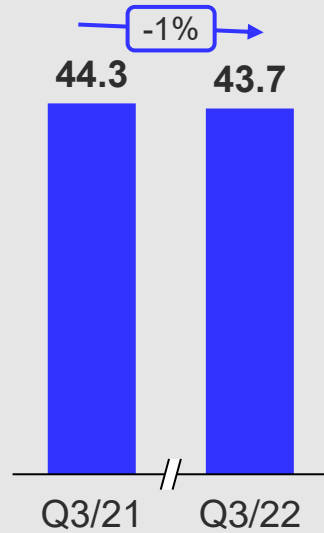
Notes: 1) Reported EBITA-% was 11.9%

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# Q3 – Business area comments

Net sales, EURM



% of group



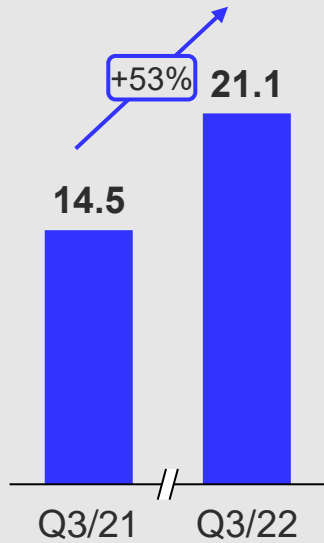
## Wholesale

- Managed to reach last year's level at comparable exchange rates
- Scandinavian wholesale +8%, supported by positive local market and acquisition of Trucknik
- Finland & Baltic declined 8% due to negative local market
- Stability in gross margins



## Q3 – Business area comments

Net sales, EURM



% of group



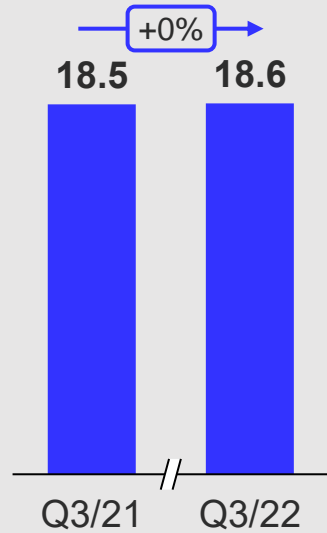
### Repair and Maintenance

- Strong growth driven by acquisitions in Sweden
- Acquisitions have made Relais the biggest independent R&M operator for commercial vehicles in the Nordics
- Positive effect of operational efficiency measures and salary system changes in Raskone
- Solid demand in all companies

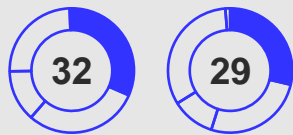


## Q3 – Product group comments

Net sales, EURM



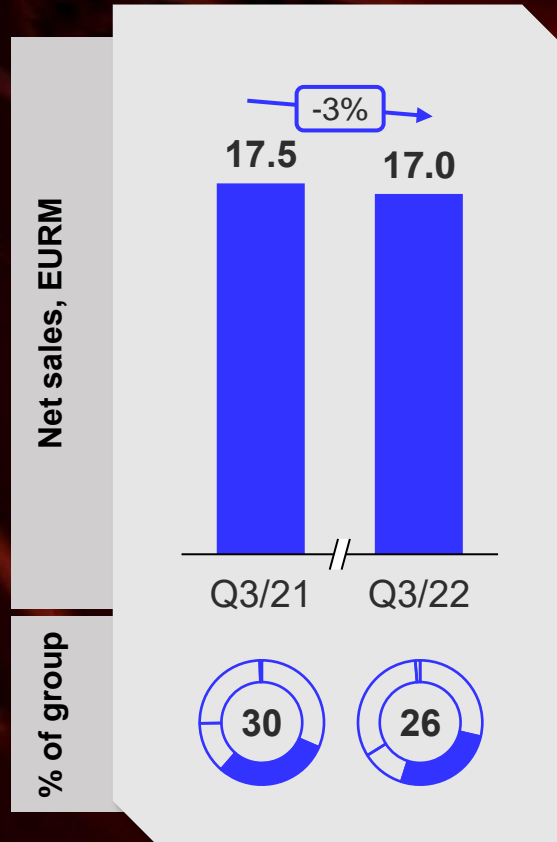
% of group



### Spare parts

- Spare parts sales was on a stable level and in line with last year
- Gross margins were on the same level as last year, due to successfully implemented price increases

## Q3 – Product group comments



### Lighting

- Lighting sales reached last year's level, driven by new product launches and strong performance of Strands' export markets
- Season started somewhat later than earlier years due to market uncertainty
- Uncertain demand environment especially in Finland and product segments for consumers
- Gross margins largely on last year's level



# Outlook

## Outlook

- When assessing our business outlook for the remainder of this year various external factors emerge, all of which are **outside our circle of influence**
- The consequences of Russia's war on Ukraine cause **great uncertainty** in the demand situation of the markets
- The steep increase of **energy prices** and general cost of living, the unstable **geopolitical situation** and its negative impact on the economy make it very **challenging to estimate** the market situation for the coming quarter



## We are well positioned

- Looking at the factors **within our circle of influence**, we are well positioned to develop our business favourably also during the last quarter of the year 2022
- Our ability to deliver **lighting products** during the ongoing season is good and we will launch a number of new products to the market also this year
- We have been able to **solve several challenges** that faced our repair and maintenance business earlier this year and the demand situation in that business area **looks stable**

- We believe that a possible economic recession may even **increase the demand** for reasonably priced spare parts and repair and maintenance services
- We will also continue the active processing of **corporate acquisitions** over the coming year
- We expect target company **valuations** to decline to a more moderate level than before
- This lays **a good foundation** for carrying out acquisitions and the implementation of our strategy also moving forward

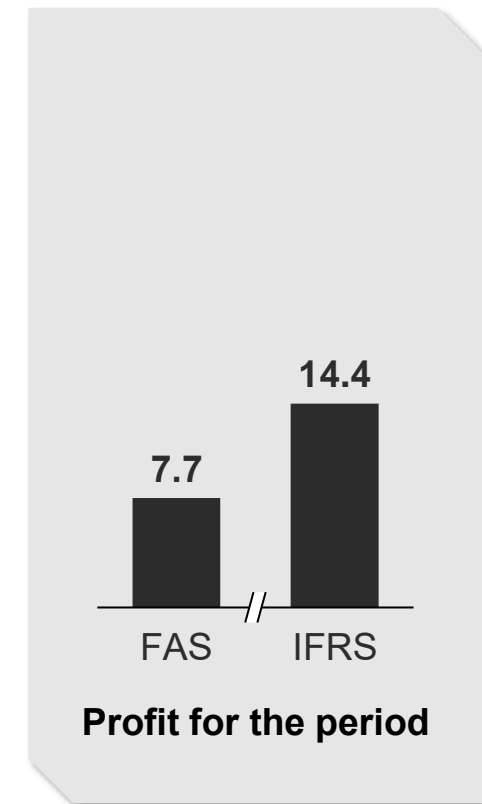
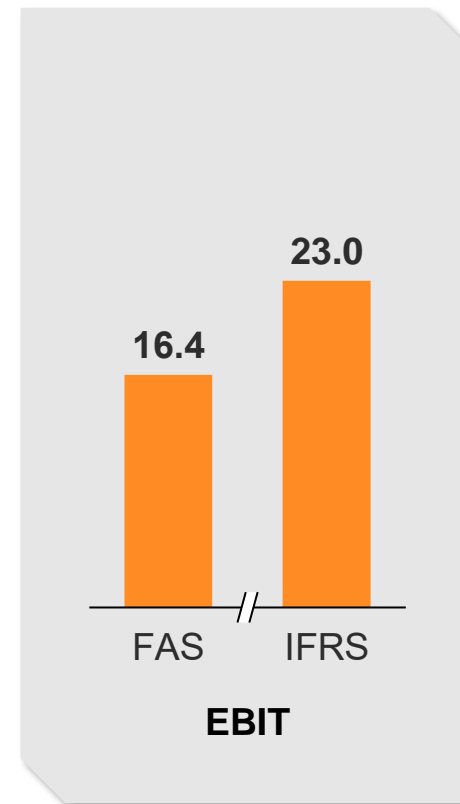
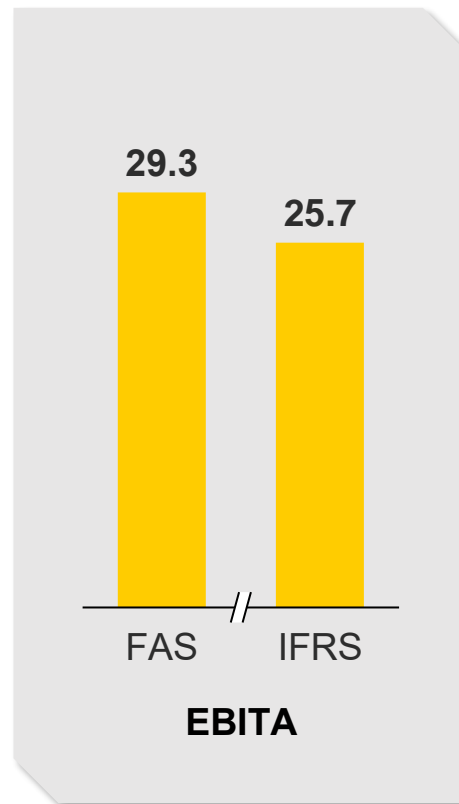
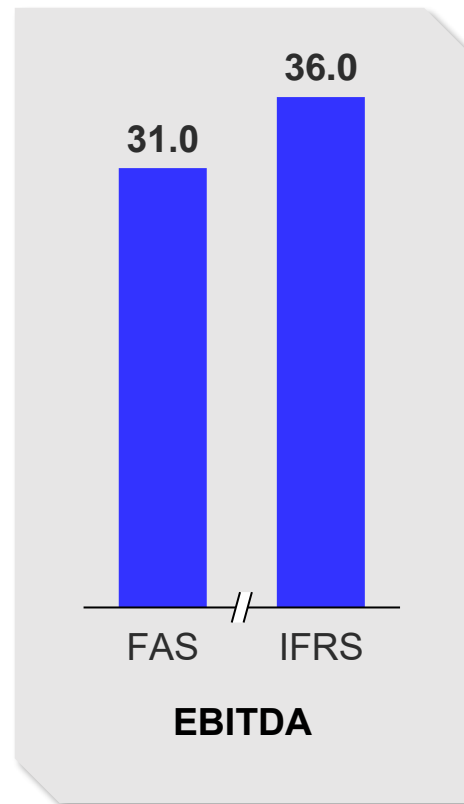


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IFRS transition in brief

# Main impact of IFRS transition on selected P&L figures

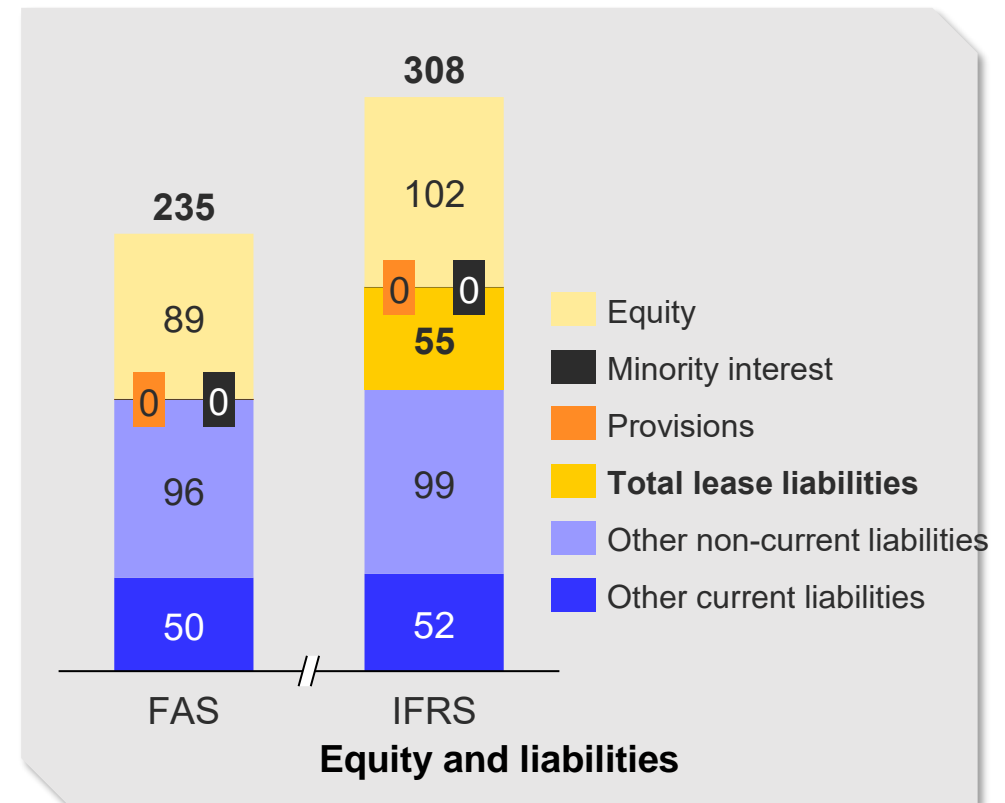
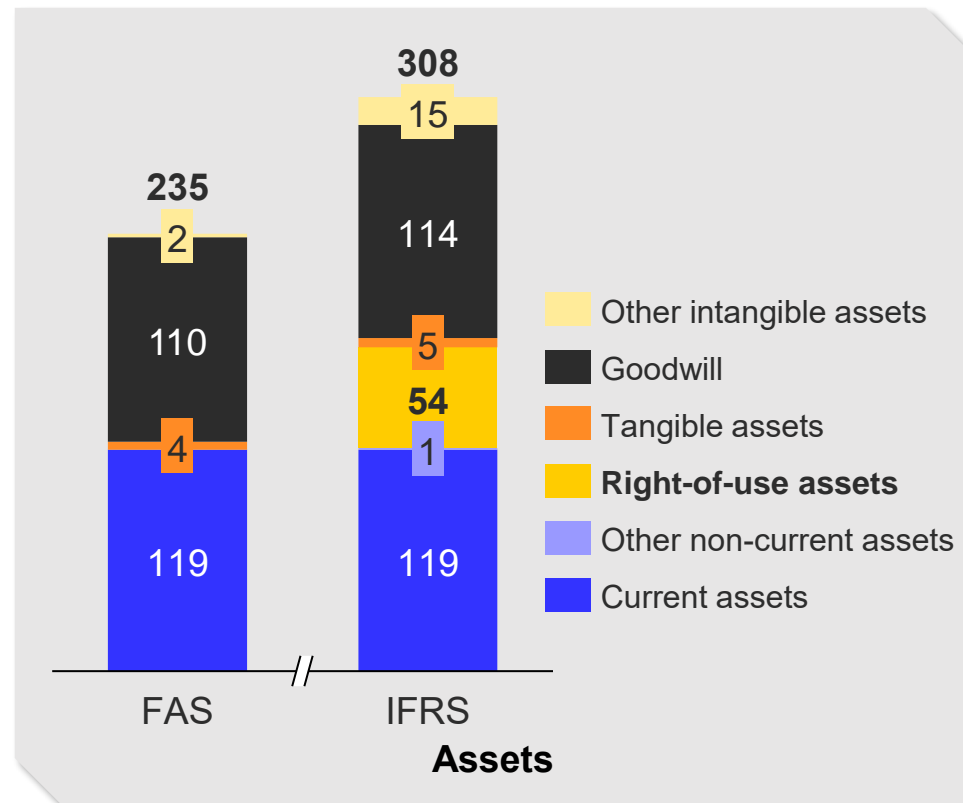
FY 2021 EUR, millions





# Main impact of IFRS transition on balance sheet

31 December 2021 EUR, millions

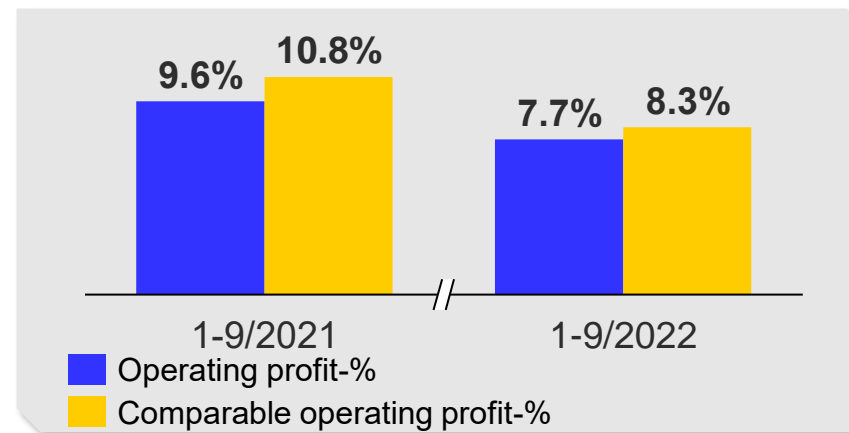
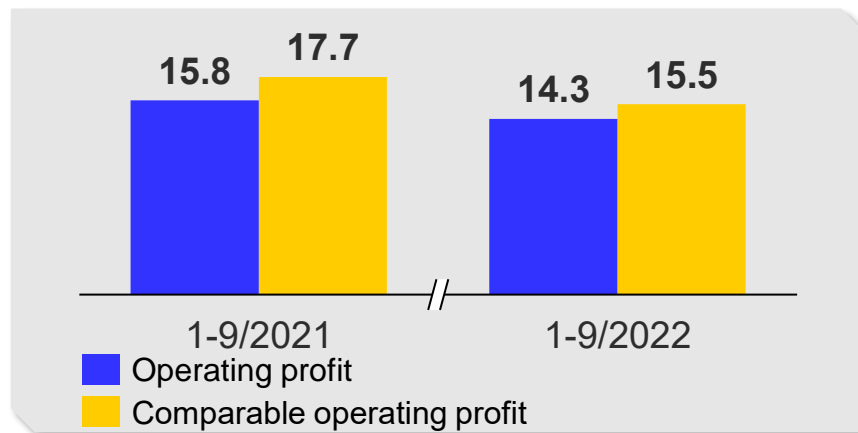
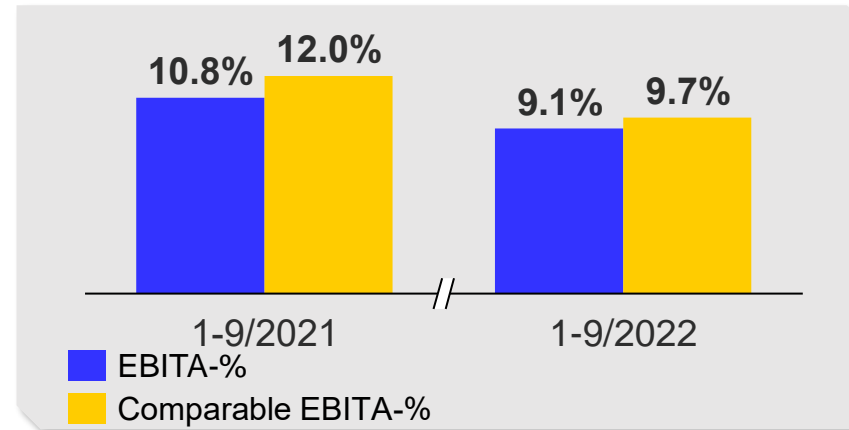
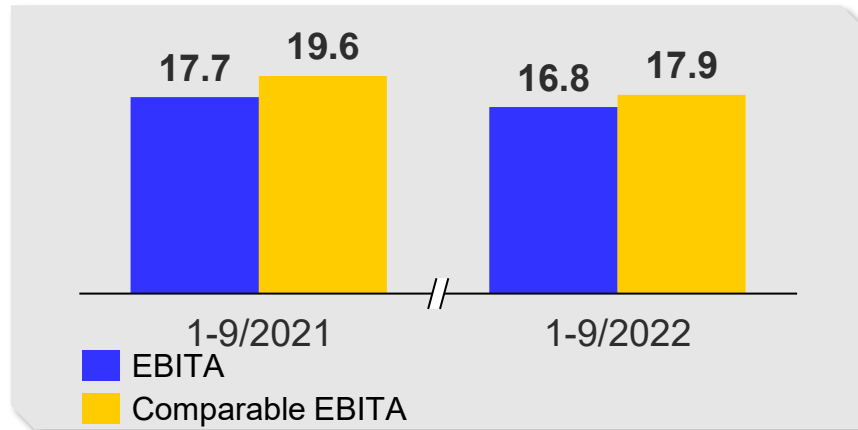


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Financial review 1-9/2022

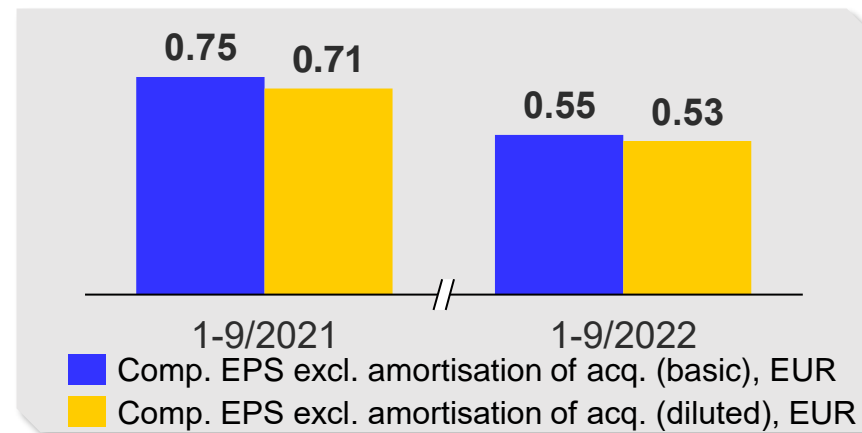
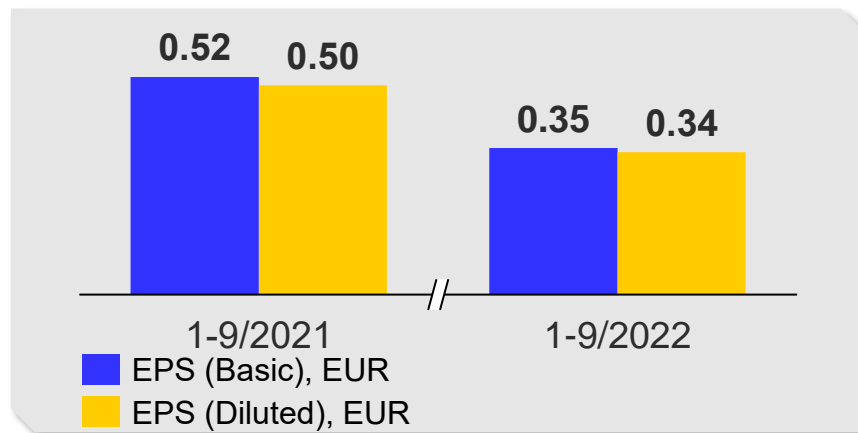
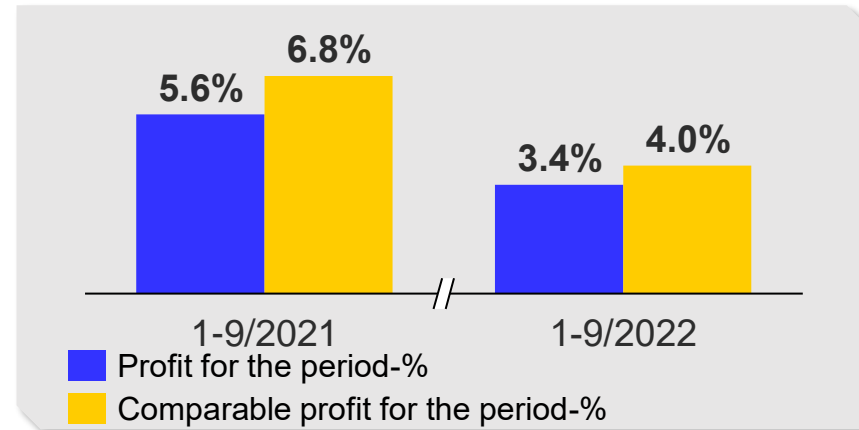
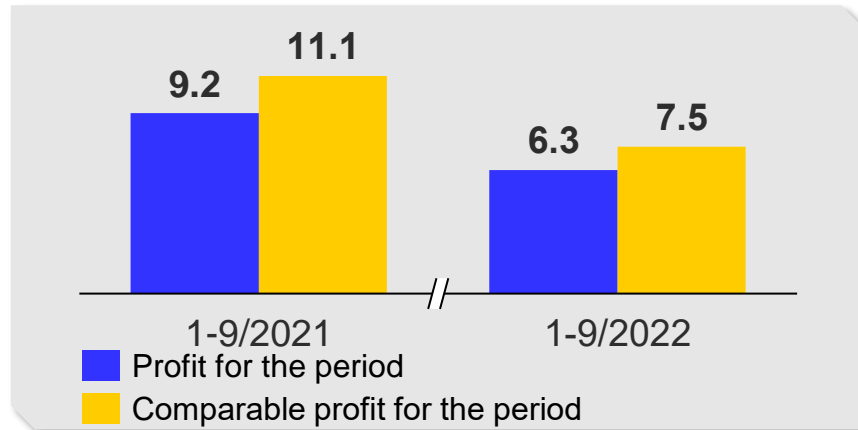


# Financial result 1-9/2022



- The increasing proportion of commercial vehicle repair and maintenance business led to a shift in the cost structure.
- Comparable APMs: Transaction costs and certain additional purchase price items of company acquisitions as well as listing costs are eliminated as items affecting comparability

# Financial result 1-9/2022, continued



- In addition to the development of the business, the decrease in profit for the review period was caused by increased financial expenses from acquisition loans and leasing liabilities related to acquisitions, as well as the effect of exchange rate differences on SEK-denominated loans



# Balance sheet and financial position

The Group's balance-sheet total  
EUR **318.9** (295.9)  
million

The Group's equity  
EUR **101.4** (99.6)  
million

Net debt excl. lease liabilities  
EUR **98.4** (81.1)  
million

Net gearing excl. lease liabilities  
**99.0** (83.2)  
%

Equity ratio  
**31.8** (33.7)  
%

Cash assets  
EUR **12.5** (19.9)  
million

# Cash flow development

Cash flow from operations  
EUR **11.6** (4.0)  
million

- During Q1 and Q2 cash flow was significantly burdened by working capital tied up for advanced and increased product purchases.
- During Q3, the growth in net working capital stopped and started to decline towards the end of the quarter.
- As a result, cash flow from operations turned clearly positive.

Cash flow from investments  
EUR **-10.8** (-44.5)  
million

- Includes additional consideration for STS shares, cash consideration for Skeppsbrons shares and cash consideration for SEC and TD Tunga Delar minority shares.
- Investments of EUR -1.2 million in machinery and equipment mainly for repair workshop business were also included.

Cash flow from financing  
EUR **0.1** (25.9)  
million

- The amount of new acquisition loans drawn down from the existing facility during the review period was approximately EUR 16.5 million.
- A drawdown of EUR 3.5 million from the RCF facility was made during the review period and repaid in October.
- Repayments and interest payments on the loans were made in accordance with the repayment program. A total of EUR 6.5 million in dividends was paid out.



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Acquisition strategy

# A disciplined acquisition process



## Attractiveness of the different aftermarket segments

Basic parameters for defining the attractiveness from an M&A perspective

### Parameters

- **Market size** and IAM's share of total
- **Growth**: overall market and specific niches or segments
- **Cyclicality**

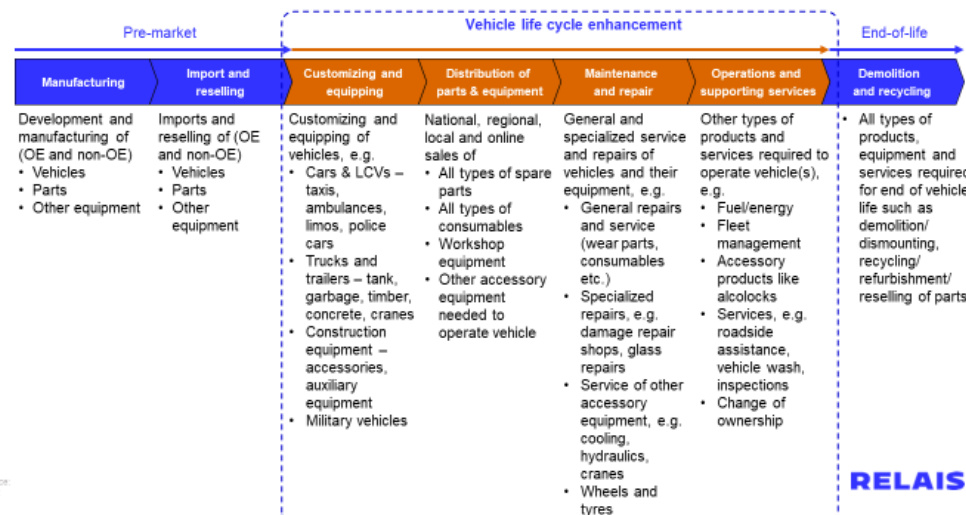
### Attractiveness

- **Target attractiveness** determined primarily by:
  - **Purchase price**
  - **Expected synergies**

Platform for further add-ons  
other acquirers  
SS:  
in growth and ROIC  
ets

## The aftermarket subsegments (illustrative)

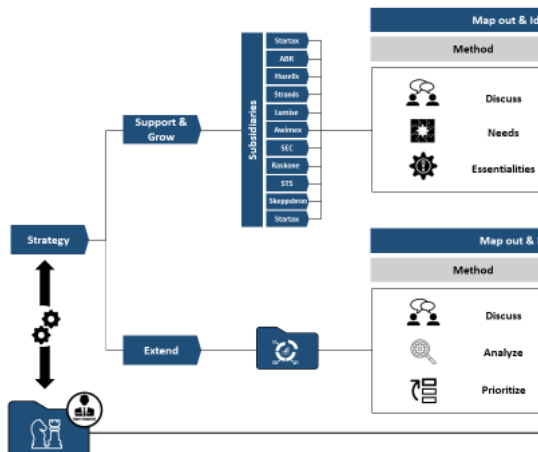
An overall framework relevant for Relais Group



25 Source: Note

## Acquisition Strategy

Identification of (un)desirable target characteristics



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Longlist in Numbers

**368**

Firms in RelaisLonglist

**>5 MEUR**

Revenue per Firm

**Approved**

All firms manually viewed

14

Searchable Target Characteristics

Valu8  
Google

Top 3 Targets

18

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# Acquisition strategy

- We have deliberately been very disciplined when considering potential deals due to the general market situation
- We believe the valuations to come down to more moderate levels
- We have a healthy pipeline with several discussions ongoing
- We will continue the processing of the potential target companies

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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
- 📍 Growth potential with own e-commerce solutions
- 📍 Efficient and decentralized operating model





Q&A

