

## Relais Group Oyj

Consumer Goods  
Finland

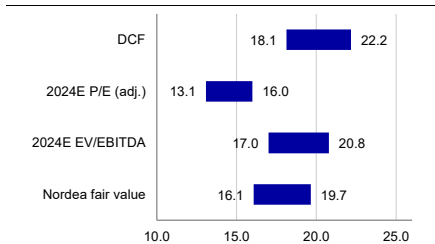
## KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 12.50
Free Float	36%
Market cap. (bn)	EUR 0.23/EUR 0.23
Website	www.relais.fi
Next report date	04 May 2023

## PERFORMANCE



## VALUATION APPROACH (EUR/SHARE)



## ESTIMATE CHANGES

Year	2023E	2024E	2025E
Sales	-1%	-1%	-1%
EBIT (adj)	-2%	0%	0%

Source: Nordea estimates

## Nordea IB &amp; Equity - Analysts

Joni Sandvall  
AnalystSanna Perälä  
Analyst

## Accelerating growth strategy

Q4 2022 adjusted EBITA was slightly below our expectations despite sales and gross profit being in line. Sales mix was burdened by weak consumer demand in Finland, while B2B lighting sales remained stable. Online business operating costs also increased y/y. More importantly, Relais targets EUR 50m adjusted EBITA by 2025 on a pro forma basis. The company has accelerated its growth plans, as it previously targeted a top line of EUR 500m by 2026. Based on DCF- and multiples based valuation, we derive a fair value range of EUR 16.1-19.7 (15.7-19.2).

## Q4 was slightly below our expectations

Relais' Q4 top line of EUR 75.2m was in line with our expectations while adjusted EBITA fell 9% (i.e. EUR 0.7m) short of our forecast. We believe this relates to sales mix, as consumer lighting sales declined y/y while repair and maintenance and B2B lighting sales were stable. On a positive note, repair and maintenance profitability continued to improve. The dividend proposal was EUR 0.40, slightly above our expectation of EUR 0.38. We believe this relates to Relais' confidence on the 2023 outlook. Good growth in Scandinavia (+5% y/y in Q4) and a sluggish Finland/Baltics (organic growth of -8% y/y in Q4) means Scandinavia has become the group's largest market area. Inventory reduction was successful in Q4, leading to strong operating cash flow of EUR 17.2m (EUR 7.9m a year ago). It seems that the company has not been forced to make any large-scale discounts, as the gross margin improved by 160 bp y/y, 30 bp above our estimate.

## Slightly negative estimate revisions, mainly due to FX

We make only minor revisions to the top line and adjusted EBITA for 2023E-25E, mainly driven by FX. We also include the acquisition of S-E-T in our estimates. We keep 2023E-25E DPS intact owing to a higher-than-anticipated payout ratio, although we lower EPS by 4-9% due to expected higher financial costs resulting from rate hikes.

## EUR 50m adjusted EBITA target by 2025

Relais announced that it will accelerate its growth plan and aims to reach adjusted EBITA of EUR 50m on a pro forma basis by 2025. The company sees a large number of potential acquisition opportunities with increasingly attractive valuation levels. We view the new target as achievable through M&A but expect Relais to lower its leverage in 2023. Based on our M&A model and given fully debt-financed acquisitions, we see EUR ~9m EBITA potential through M&A, as well as 2025E adjusted EBITA of EUR 38m.

## SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	99	129	238	261	272	282	292
EBITDA (adj)	13	19	39	39	46	51	54
EBIT (adj)	8	11	26	22	27	32	35
EBIT (adj) margin	7.9%	8.6%	10.8%	8.6%	10.0%	11.2%	11.9%
EPS (adj, EUR)	0.29	0.39	0.91	0.69	0.84	1.04	1.17
EPS (adj) growth	-13.6%	31.5%	133.9%	-24.2%	21.6%	24.3%	12.9%
DPS (ord, EUR)	0.10	0.30	0.36	0.40	0.42	0.47	0.52
EV/Sales	1.4	2.3	2.7	1.3	1.3	1.2	1.2
EV/EBIT (adj)	17.3	26.3	24.6	14.9	13.4	11.1	9.7
P/E (adj)	28.0	37.9	29.0	14.8	15.0	12.0	10.7
P/BV	1.6	3.7	4.8	1.8	2.1	1.9	1.7
Dividend yield (ord)	1.2%	2.0%	1.4%	3.9%	3.4%	3.8%	4.2%
FCF Yield bef A&D, lease	1.4%	6.0%	0.5%	9.4%	8.4%	9.0%	10.1%
Net debt	35	28	140	143	131	117	102
Net debt/EBITDA	2.6	1.5	3.9	3.9	2.8	2.3	1.9
ROIC after tax	9.1%	8.6%	11.5%	7.0%	8.8%	10.6%	11.7%

Source: Company data and Nordea estimates

## Q4 results and estimate revisions

Relais reported Q4 2022 adjusted EBITA of EUR 7.9m, 8% below consensus and 9% below our estimate. Net sales were EUR 75.2m (+2% y/y, +4% in constant currencies), 2% above Refinitiv consensus and in line with our estimate. Reported EBIT was EUR 5.3m, 24% below consensus and 32% below our estimate. EBIT was burdened by costs of EUR 1.7m related to the transfer to the main list and acquisitions. The market situation for repair and maintenance was stable and profitability improved, which we view as encouraging given the challenges during H1. B2B lighting sales were stable in Q4 while higher margin B2C sales declined, indicating weak sales mix. Sales increased by 5% y/y in organic terms in Scandinavia but were down by 8% y/y in Finland/Baltics, reflecting the general market conditions. The company has managed to increase prices and tackle the issue of inflation's impact on gross profit. Operating expenses were above our expectations, which we believe related to higher marketing spend for the online business. Operating cash flow improved substantially and came in at EUR 17.2m (EUR 7.9m a year ago), driven by an 8% y/y (12% q/q) decline in inventories. The dividend proposal stands at EUR 0.40 per share, above consensus at EUR 0.34, and will be payable in two instalments. Relais did not provide a short-term outlook, although we note its new financial target of EUR 50m in adjusted EBITA (pro forma) for 2025. The previous target was a top line of EUR 500m (pro forma) for 2026. The company is accelerating its growth plan and sees a large number of potential acquisition targets with increasingly attractive valuation levels. We have modelled adjusted EBITA of EUR 38m for 2025E (organic); based on our M&A scenario, we view the new financial target as achievable through M&A.

Q4 profitability burdened by mix...	<p><b>Q4 adjusted EBITA burdened by sales mix</b></p> <p>Relais' Q4 net sales were EUR 75.2m, up 2% y/y (+4% in constant currencies) and 2% above Refinitiv consensus. We note the weak quality of consensus. Scandinavian businesses performed well, while the market was weaker in Finland/Baltics. Sales increased by 5% y/y in organic terms in Scandinavia (+8% in Q3) and declined by 8% y/y in Finland/Baltics (-8% in Q3).</p> <p>Adjusted EBITA came in at EUR 7.9m in Q4, down 9% y/y (-4% in Q3), and was 8% below consensus and 9% below Nordea estimates. We believe the miss relates to marketing spend, especially within online business.</p> <p>Q4 EBIT came to EUR 5.3m, which was 24% below consensus and 32% below Nordea expectations. There was EUR -1.7m in items affecting comparability in Q4 (we did not anticipate any), related to the transfer to the main list and acquisitions.</p> <p>Reported EPS of EUR 0.20 missed consensus of EUR 0.23.</p> <p>The DPS proposal stands at EUR 0.40, above consensus of EUR 0.34. We believe this reflects management's confidence in 2023 performance and reduced inventory levels.</p>
...while the company was able to decrease its inventory level	<p>Inventories were down by 12% q/q (EUR 9.2m). We note that the gross margin was in line with our expectation, which indicates that the company has been successful with its inventory reduction without having to implement any meaningful discount sales.</p>

**Q4 DEVIATION TABLE (EPS IN EUR)**

EURm	Actual Q4 2022	NDA est. Q4 2022	Deviation vs. actual		Consensus Q4 2022	Deviation vs. actual		Actual Q3 2022	q/q	Actual Q4 2021	y/y
<b>Sales</b>	<b>75.2</b>	<b>75.2</b>	<b>0</b>	<b>0%</b>	<b>74.0</b>	<b>1</b>	<b>2%</b>	<b>64.8</b>	<b>16%</b>	<b>73.5</b>	<b>2%</b>
Gross profit	33.7	33.5	0.2	1%	34			28.8	17%	31.8	
<b>Gross margin</b>	<b>44.8%</b>	<b>44.5%</b>	<b>0.3pp</b>		<b>45.9%</b>			<b>44.4%</b>	<b>0.4pp</b>	<b>43.2%</b>	<b>1.5pp</b>
<b>Adj. EBITA</b>	<b>7.9</b>	<b>8.6</b>	<b>(0.7)</b>	<b>-9%</b>	<b>8.6</b>	<b>-0.7</b>	<b>-8%</b>	<b>7.9</b>	<b>0%</b>	<b>8.7</b>	<b>-9%</b>
Adj. EBITA margin	10.5%	11.5%	-1.0pp		11.6%	-1.1pp		12.3%	-1.7pp	11.8%	-1.3pp
EBITA	6.2	8.6	-2.5	-28%				7.7	-20%	8.0	-23%
EBITA margin	8.2%	11.5%	-3.3pp					11.9%	-3.6pp	10.9%	-2.7pp
EBIT	5.3	7.8	-2.5	-32%	7.0	-1.7	-24%	6.8	-22%	7.3	-27%
EBIT margin	7.1%	10.3%	-3.3pp		9.5%	-2.4pp		10.5%	-3.5pp	9.9%	-2.8pp
PTP	3.7	6.2	-2.5	-41%	5.1			5.1	-28%	6.1	-39%
EPS	0.20	0.25	-0.05	-21%	0.23	-0.03	-11%	0.20		0.28	
DPS	0.40	0.38	0.02	5%	0.34	0.02	18%			0.36	11%

Source: Company data, Refinitiv and Nordea estimates

**Guidance for 2023 and new financial target for 2025**

The company did not provide numerical guidance for FY 2023. Prior to Q4, Refinitiv consensus was for 4% sales growth and adjusted EBITA of EUR 28.8m in 2023 (EUR 25.8m in 2022).

**Estimate revisions**

We make only minor revisions to our estimates following the Q4 report, adjusting for FX and adding the S-E-T acquisition. We trim the 2023E-25E top lines by 1%. We nudge down 2023E adjusted EBITA by 2% and raise it by 0-1% for 2024E-25E. In addition, we increase our interest costs assumption slightly as the majority of interest-bearing liabilities are variable-based. However, we leave 2023E-25E DPS intact given the higher-than-expected payout and strong cash flows.

**ESTIMATE REVISIONS**

EURm	New estimates				Old estimates				Difference %			
	Q1 2023E	2023E	2024E	2025E	Q1 2023E	2023E	2024E	2025E	Q1 2023E	2023E	2024E	2025E
<b>Sales</b>	<b>64.7</b>	<b>272</b>	<b>282</b>	<b>292</b>	<b>n.a.</b>	<b>275</b>	<b>284</b>	<b>294</b>	<b>n.a.</b>	<b>-1%</b>	<b>-1%</b>	<b>-1%</b>
Gross profit	29.4	122	127	132	n.a.	125	130	135	n.a.	-2%	-2%	-2%
<b>Gross margin</b>	<b>45.5%</b>	<b>45.0%</b>	<b>45.2%</b>	<b>45.4%</b>	<b>n.a.</b>	<b>45.4%</b>	<b>45.6%</b>	<b>45.8%</b>	<b>n.a.</b>	<b>-0.4pp</b>	<b>-0.4pp</b>	<b>-0.4pp</b>
<b>Adj. EBITA</b>	<b>7.0</b>	<b>30.7</b>	<b>35.2</b>	<b>38.3</b>	<b>n.a.</b>	<b>31.2</b>	<b>35.0</b>	<b>38.1</b>	<b>n.a.</b>	<b>-2%</b>	<b>0%</b>	<b>1%</b>
Adj. EBITA margin	10.8%	11.3%	12.5%	13.1%	n.a.	11.3%	12.3%	12.9%	n.a.	-0.1pp	0.2pp	0.2pp
EBITA	7.0	30.7	35.2	38.3	n.a.	31.2	35.0	38.1	n.a.	-2%	0%	1%
EBITA margin	10.8%	11.3%	12.5%	13.1%	n.a.	11.3%	12.3%	12.9%	n.a.	-0.1pp	0.2pp	0.2pp
EBIT	6.1	27.2	31.6	34.7	n.a.	27.8	31.6	34.6	n.a.	-2%	0%	0%
EBIT margin	9.5%	10.0%	11.2%	11.9%	n.a.	10.1%	11.1%	11.7%	n.a.	-0.1pp	0.1pp	0.1pp
PTP	4.4	20.9	25.5	28.7	n.a.	22.5	26.4	29.6	n.a.	-7%	-4%	-3%
EPS	0.17	0.84	1.04	1.17	n.a.	0.92	1.09	1.22	n.a.	-9%	-4%	-4%
DPS		0.42	0.47	0.52		0.42	0.47	0.52		0%	0%	0%

Source: Nordea estimates

# M&A scenario

Relais's strategy focuses on high growth via M&A. Due to the uncertainty regarding timing, deal size and deal valuation, we do not include M&A in our estimates. We have created an M&A scenario, however, that simulates how much Relais could 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 conjunction with Q4 2022, Relais announced an adjusted EBITA target of EUR 50m for 2025 (pro forma). With successful M&A execution, we believe Relais could reach the target while maintaining year-end leverage at or below 3x. We thus believe it could add shareholder value through acquisitions with compelling multiples going forward.

IFRS transition increased net debt

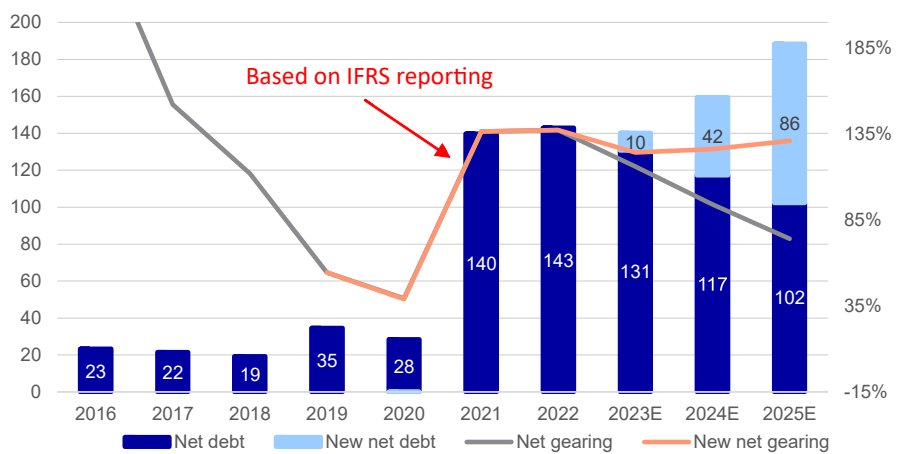
### Financial debt was EUR 90m at the end of 2022

Relais transferred to the Helsinki main list in late 2022. The related IFRS transition increased its debt level through lease liabilities. Financial net debt was EUR 90m at the end of 2022, while the company had EUR 53m of lease debt. Combined with EUR 13.5m in cash, net debt was EUR 143m at the end of 2022, translating into 3.6x leverage.

Given the debt level, we expect only EUR 10m in fully debt-financed acquisitions in 2023. However, we note that Relais has traditionally used own shares as part of the consideration.

In our M&A scenario, we still forecast year-end net debt/EBITDA of below 3x.

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



With M&A fully financed by cash flow and debt, Relais could maintain net gearing of around 130% for 2023E-25E

Source: Company data and Nordea estimates

### With successful M&A, we forecast adjusted EBITA of EUR 48m by 2025

Assuming deal EV/EBITA multiples of 8x, further M&A could increase the company's EBITA by EUR ~1m for 2023E and EUR ~9m for 2025E, excluding potential synergies. We assume that the acquired companies will have an EBITA margin of 12.5%, implying that Relais could add EUR ~75m to net sales by 2025 based on our M&A assumptions. We model 5% organic growth for the acquired businesses while maintaining an estimated EBITA margin of 12.5%. Our estimates do not include any costs related to the acquisitions, such as advisory fees or restructuring costs. We assume that M&A actions would be equally spread across the year, i.e. we model the acquisitions during the middle of the year.

Acquisitions could add EUR ~11m to adjusted EBITA by 2025

We argue that our assumptions are conservative considering recent acquisitions and think larger targets could command slightly higher multiples. Relais made multiple acquisitions in 2020-22: SEC Scandinavia was acquired at ~5.5x EV/EBITDA, TD Tunga Delar at ~7x and the EV/EBITDA multiple for Strands Group is 7.3x based on 2020 EBITDA of SEK 25m. The Raskone acquisition was made at a 6.5x 2020 EV/EBITDA multiple, excluding potential synergies, which Relais expects to be significant. The

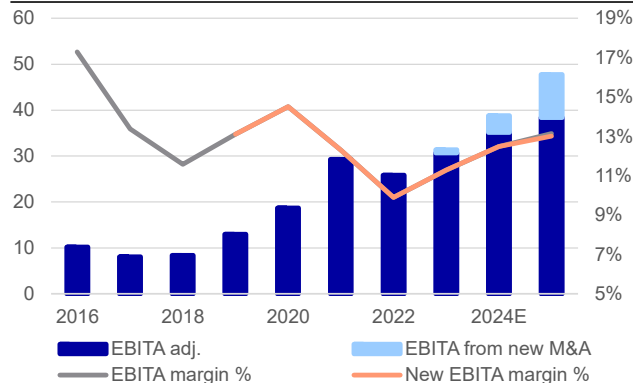
Lumise acquisition was made at a 9.4x LTM EV/EBITDA, while we note that the high online share of sales commands higher multiples. The STS acquisition was made at 7.7-9.5x EV/EBITDA multiples, excluding synergies but including a full earn-out. If we assume full earn-out and EUR 0.5-1m in anticipated synergies, however, the acquisition will be carried out with 5.2-6.7x EV/EBITDA multiples. The Skeppsbrons Jönköping AB acquisition was made at 6.0x 2021 EV/EBITDA, while the latest S-E-T acquisition commanded a 5.1x 2021 EV/EBIT multiple.

#### M&A SCENARIO SALES ESTIMATES (EURm)



Source: Company data and Nordea estimates

#### M&A SCENARIO ESTIMATED EBITA (EURm) AND MARGIN (%)



Source: Company data and Nordea estimates

In our illustrative scenario, 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 at 0.5% of net sales and we use a 2% interest rate and 21% tax rate assumption.

#### ILLUSTRATIVE M&A SCENARIO

Current estimates, EURm	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	59	60	72	99	129	238	261	272	282	292
EBITA adj.	10.2	8.1	8.4	13.0	18.7	29.3	25.8	30.7	35.2	38.3
-margin %	17.3%	13.4%	11.6%	13.1%	14.5%	12.3%	9.9%	11.3%	12.5%	13.1%
Cash	0.8	1.5	2.3	29.6	34.7	11.8	13.5	15.9	19.4	19.5
Equity	9.0	14.2	17.2	63.7	72.4	102.3	104.0	112.5	124.4	137.9
Net debt	23	22	19	35	28	140	143	131	117	102
Net gearing	257%	152%	112%	54%	39%	137%	137%	116%	94%	74%
Net debt/EBITDA	2.2x	2.6x	2.2x	2.6x	1.5x	3.6x	3.6x	2.8x	2.3x	1.9x
Deal(s) size								10	35	50
EV/EBITA assumption, x								8x	8x	8x
EV/Sales assumption, x								1.0x	1.0x	1.0x
								2023E	2024E	2025E
Cumulative sales increase from M&A								5	29	75
Cumulative EBITA increase from M&A								0.7	3.6	9.4
- margin %								12.5%	12.5%	12.5%
<b>New estimates after additional M&amp;A, EURm</b>										
Sales, EURm			72	99	129	238	261	278	311	367
EBITA, EURm			8.4	13.0	18.7	29.3	25.8	31.3	38.8	47.7
-margin %			11.6%	13.1%	14.5%	12.3%	9.9%	11.3%	12.5%	13.0%
Cash	0.8	1.5	2.3	29.6	34.7	11.8	13.5	16.3	22.2	28.3
Equity	9.0	14.2	17.2	63.7	72.4	102.3	104.0	112.8	126.2	143.8
Net debt	23.3	21.6	19.2	34.7	28.3	139.7	142.9	140.2	159.5	188.6
Net gearing	257%	152%	112%	54%	39%	137%	137%	124%	126%	131%
EBITDA adj.	10.6	8.3	8.7	13.3	19.1	38.6	39.4	47.1	54.9	64.4
ND/EBITDA	2.2x	2.6x	2.2x	2.6x	1.5x	3.6x	3.6x	3.0x	2.9x	2.9x

Note: based on IFRS accounting from 2021 onwards, 2016-19 according to Finnish Accounting Standards

Source: Company data and Nordea estimates

### Compounder effect has weakened in line with decline in the share price

In the table below, we illustrate the potential "compounder effect" for Relais, as the company targets growth through acquisitions going forward. We note that the recent pullback in the share price has caused a clear drop in the so-called "compounder effect". The table presents the impact on Relais's "multiple arbitrage" opportunity, assuming different annual acquisition volumes (x-axis) and the EV/EBITA multiple paid in the potential acquisitions (y-axis). We note the following:

- **Acquisition cost on x-axis:** The annual acquisition amount is in EURm. Based on our calculations, we estimate that Relais could make acquisitions of EUR 10-50m annually during 2023-25, financed with cash flow and debt, and still stay around 135% gearing and below 3x net debt/EBITDA by the end of the year. We limit the range in this table to EUR 5-75m of annual acquisitions and believe a narrowed range of EUR 10-50m annually could be realistic for 2023-25.
- **Acquisition multiple on y-axis:** Historically, Relais has made acquisitions at an EV/EBIT(D)A of ~6.5x. In the table below, we highlight the value creation based on our M&A scenario, where we use 1x EV/sales and 8x EV/EBITA multiples. We also highlight what we believe could be the annual transaction volume range (EUR 10-50m) and likely EV/EBITA acquisition multiples (6-10x), with the midpoint suggesting EUR 8m in annual value creation.
- **EBITA margin:** We assume that Relais will buy companies with an EBITA margin of 12.5%, derived from EV/sales of 1x and EV/EBITA of 8x.
- **Relais valuation multiple:** Based on the current valuation of Relais, we use an EV/EBITA multiple of 10x on average for Relais, i.e. if it makes acquisitions at an EV/EBITA multiple of above 10x, our simulation models a negative contribution from M&A. This is highly simplified, as there could be good grounds to pay a high multiple, e.g. synergy potential, strategic acquisitions, etc.

#### ILLUSTRATIVE VALUE CREATION MATRIX (EURm)

		Acquisition cost, EURm														
		5	10	15	20	25	30	35	40	45	50	55	60	65	70	75
Acquisition multiple, EV/EBITA (x)	3	12	23	35	47	58	70	82	93	105	117	128	140	152	163	175
	4	8	15	23	30	38	45	53	60	68	75	83	90	98	105	113
	5	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75
	6	3	7	10	13	17	20	23	27	30	33	37	40	43	47	50
	7	2	4	6	9	11	13	15	17	19	21	24	26	28	30	32
	8	1	3	4	5	6	8	9	10	11	13	14	15	16	18	19
	9	1	1	2	2	3	3	4	4	5	6	6	7	7	8	8
	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	11	0	-1	-1	-2	-2	-3	-3	-4	-4	-5	-5	-5	-6	-6	-7
	12	-1	-2	-3	-3	-4	-5	-6	-7	-8	-8	-9	-10	-11	-12	-13
	13	-1	-2	-3	-5	-6	-7	-8	-9	-10	-12	-13	-14	-15	-16	-17
	14	-1	-3	-4	-6	-7	-9	-10	-11	-13	-14	-16	-17	-19	-20	-21
	15	-2	-3	-5	-7	-8	-10	-12	-13	-15	-17	-18	-20	-22	-23	-25
	16	-2	-4	-6	-8	-9	-11	-13	-15	-17	-19	-21	-23	-24	-26	-28
	17	-2	-4	-6	-8	-10	-12	-14	-16	-19	-21	-23	-25	-27	-29	-31
	18	-2	-4	-7	-9	-11	-13	-16	-18	-20	-22	-24	-27	-29	-31	-33
	19	-2	-5	-7	-9	-12	-14	-17	-19	-21	-24	-26	-28	-31	-33	-36
	20	-3	-5	-8	-10	-13	-15	-18	-20	-23	-25	-28	-30	-33	-35	-38
	21	-3	-5	-8	-10	-13	-16	-18	-21	-24	-26	-29	-31	-34	-37	-39
	22	-3	-5	-8	-11	-14	-16	-19	-22	-25	-27	-30	-33	-35	-38	-41
	23	-3	-6	-8	-11	-14	-17	-20	-23	-25	-28	-31	-34	-37	-40	-42

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 from potential future M&A. Using a combination of valuation methods, we derive a fair valuation range of EUR 16.1-19.7 (15.7-19.2) 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 a group of peers that we consider relevant, using valuation multiples such as EV/EBITDA and P/E. 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		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022	2023E	2024E
<b>Peer group</b>												
Advance Auto Parts Inc	0.8x	0.8x	0.8x	6.7x	7.5x	7.2x	8.5x	10.0x	9.5x	10.6	12.3	11.5
Auto Partner Sa	1.0x	0.8x	0.7x	8.9x	7.0x	6.4x	9.7x	7.6x	7.0x			
Autozone Inc	3.0x	3.0x	2.8x	13.1x	13.3x	12.4x	14.8x	15.2x	14.2x	19.7	19.2	16.8
Inter Cars Sa	0.6x	0.6x	0.5x	7.4x	6.8x	6.4x	8.5x	8.0x	7.6x	9.1	8.4	7.7
Camping World Holdings Inc	0.7x	0.7x	0.7x	7.3x	12.8x	10.1x	7.8x	13.7x	13.2x	5.4	11.4	7.5
Dometic Group Ab (Publ)	1.2x	1.3x	1.3x	8.6x	8.8x	7.9x	13.1x	12.7x	10.7x	8.0	13.3	10.8
Halfords Group Plc	0.6x	0.5x	0.5x	3.7x	4.2x	4.1x	7.5x	11.9x	12.4x	5.8	10.0	10.5
Meko Ab	0.9x	0.8x	0.8x	6.6x	6.7x	6.4x	12.7x	11.1x	10.2x	9.3	9.8	8.5
O'Reilly Automotive Inc	3.8x	3.6x	3.4x	16.7x	15.8x	14.7x	18.8x	17.8x	16.7x	24.7	22.4	20.1
Thule Group Ab	2.6x	2.9x	2.7x	14.1x	16.7x	13.7x	15.7x	19.5x	15.5x	18.9	23.8	18.7
<b>Peer group average</b>	1.5x	1.5x	1.4x	9.3x	10.0x	8.9x	11.7x	12.7x	11.7x	12.4	14.5	12.5
<b>Peer group median</b>	0.9x	0.8x	0.8x	8.0x	8.2x	7.5x	11.2x	12.3x	11.6x	9.3x	12.3x	10.8
<b>US peers' average</b>	2.1x	2.0x	1.9x	11.0x	12.3x	11.1x	12.5x	14.2x	13.4x	15.1x	16.3x	14.0x
<b>European peers' average</b>	1.1x	1.1x	1.1x	8.2x	8.4x	7.5x	11.2x	11.8x	10.6x	10.2x	13.1x	11.2x
<b>Relais (Nordea)</b>	1.3x	1.3x	1.2x	8.3x	7.3x	6.4x	14.6x	12.5x	10.4x	14.8x	13.9x	11.2x
<b>difference to median</b>	38%	55%	48%	4%	-10%	-15%	30%	2%	-10%	59%	13%	4%
<b>Compounders</b>												
Addtech Ab	3.6	2.9	2.8	24.2	19.6	19.5	33.5	26.1	26.0	44.9	35.0	35.0
Bergman & Beving Ab	1.0	1.0	1.0	8.7	8.4	8.0	14.7	14.1	13.2	15.4	14.6	13.6
Beijer Alma Ab	2.3	2.1	2.0	12.3	11.4	10.6	17.1	15.3	14.1	13.1	20.3	18.5
Beijer Ref Ab (Publ)	3.4	2.6	2.4	28.7	20.8	19.2	36.3	26.1	23.7	46.9	39.4	34.8
Bufab Ab (Publ)	1.7	1.7	1.6	12.1	12.6	12.1	15.2	16.5	15.6	17.1	19.7	17.4
Indutrade Ab	3.4	3.2	3.1	17.1	18.7	17.8	25.3	24.0	23.1	31.0	32.0	30.4
Lagercrantz Group Ab	4.0	3.3	3.1	20.1	16.7	15.8	28.1	22.7	21.5	40.2	33.6	32.1
Lifco Ab (Publ)	4.5	4.4	4.3	19.2	19.6	19.0	24.8	25.7	24.7	35.2	36.4	34.4
Sdiptech Ab (Publ)	3.4	2.8	2.5	13.7	12.3	11.0	18.3	16.2	14.4	22.1	19.5	16.8
Volati Ab	1.4	1.4	1.3	11.8	11.2	10.5	18.4	17.1	14.0	20.0	20.7	18.1
<b>Compounders average</b>	2.9	2.5	2.4	16.8	15.1	14.3	23.2	20.4	19.0	28.6	27.1	25.1
<b>Compounders median</b>	3.4	2.7	2.5	15.4	14.7	13.9	21.6	19.9	18.5	26.6	26.4	24.4
<b>Total average</b>	2.2	2.0	1.9	13.0	12.6	11.6	17.4	16.6	15.4	20.9	21.1	19.1
<b>Total median</b>	2.0	1.9	1.8	12.2	12.5	10.8	15.4	15.7	14.1	18.9	19.7	17.4
<b>Total average (70%/30%)</b>	1.8	1.7	1.6	10.8	11.0	10.0	14.0	14.3	13.1	15.6	17.0	15.0
<b>Total median (70%/30%)</b>	1.6	1.4	1.3	10.2	10.1	9.4	14.3	14.6	13.7	14.5	16.5	14.9
<b>Relais (Nordea)</b>	1.3	1.3	1.2	8.3	7.3	6.4	14.6	12.5	10.4	14.8	13.9	11.2
<b>difference to weighted median</b>	-24%	-9%	-10%	-19%	-28%	-32%	2%	-14%	-24%	2%	-16%	-25%

Source: Refinitiv and Nordea estimates

### EV/EBITDA-based valuation of EUR 17.0-20.8 per share

Based on our EUR 51.1m EBITDA estimate for 2024 and an accepted valuation multiple range of 8.3-9.7x (midpoint: 9x), we arrive at a fair value range of EUR 17.0-20.8 per share for Relais. In addition to auto parts peers, we believe that one should look at Swedish compounders when valuing Relais. Using a 70% weight for the auto parts peer group and a 30% weight for the compounder peer group, the median EV/EBITDA would be 9.4x for 2024E.

### P/E-based valuation of EUR 13.1-16.0 per share

Using a EUR 1.04 EPS estimate for 2024, we arrive at a fair value range of EUR 13.1-16.0 per share using P/E multiples of 12.6-15.4x (midpoint: 14x). Using a 70% weight for the auto parts peer group and a 30% weight for the compounder peer group, the median P/E would be 14.9x for 2024E.

### DCF-based valuation of EUR 18.1-22.2 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 3.5% for 2023-28, followed by a 2.5% CAGR in perpetuity, meaning that organic growth is roughly the same as the average rate of inflation. We also assume that Relais will gradually improve its profitability level and maintain an adjusted EBIT margin of 13.0% in the long run. We use a 4% cost of debt in our DCF model. We also assign a long-term equity weight of 50%.

WACC COMPONENTS	
<b>WACC components</b>	
Risk-free interest rate	3.0%
Market risk premium	4.0%
Forward looking asset beta	nm
Beta debt	0.1
Forward looking equity beta	1.5-2.1
Cost of equity	9.1-11.5%
Cost of debt	4.0%
Tax-rate used in WACC	21%
Equity weight	50%
<b>WACC</b>	<b>6.1-7.3%</b>

Source: Nordea estimates

DCF VALUATION (EUR)		
DCF value	Value	Per share
NPV FCFF	482-558	25.3-29.4
(Net debt)	-143	-7.5
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	6	0.3
<b>DCF Value</b>	<b>345-422</b>	<b>18.1-22.2</b>

Source: Nordea estimates

### DCF ASSUMPTIONS

Averages and assumptions	2023-28	2029-33	2034-38	2039-43	2044-48	2049-53	Sust.
Sales growth, CAGR	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EBIT-margin, excluding associates	12.2%	13.0%	13.0%	13.0%	13.0%	13.0%	4.0%
Capex/depreciation, x	0.8	1.0	1.0	1.0	1.0	1.0	1.0
Capex/sales	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
NWC/sales	23%	23%	23%	23%	23%	23%	23%
FCFF, CAGR	8.1%	2.0%	2.5%	2.5%	2.5%	-24.3%	2.5%

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. 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 in either direction.

When we use sensitivities of  $\pm 0.5$  pp for WACC,  $\pm 0.5$  pp for sales growth and  $\pm 0.5$  pp for the EBIT margin, our DCF model yields a value range of EUR 17.3-23.7 per share.



**SENSITIVITY OF OUR DCF MODEL (EUR/SHARE)**

		WACC				
		5.7%	6.2%	6.7%	7.2%	7.7%
EBIT margin change	+1.0pp	28.3	25.0	22.4	20.1	18.2
	+0.5pp	26.8	23.7	21.3	19.2	17.4
		25.2	22.4	20.2	18.2	16.6
	-0.5pp	23.6	21.1	19.1	17.3	15.7
	-1.0pp	22.1	19.8	17.9	16.3	14.9

		WACC				
		5.7%	6.2%	6.7%	7.2%	7.7%
Sales growth change	+1.0pp	27.7	24.5	21.9	19.7	17.9
	+0.5pp	26.4	23.5	21.0	19.0	17.2
		25.2	22.4	20.2	18.2	16.6
	-0.5pp	24.1	21.5	19.4	17.5	16.0
	-1.0pp	23.0	20.6	18.6	16.9	15.4

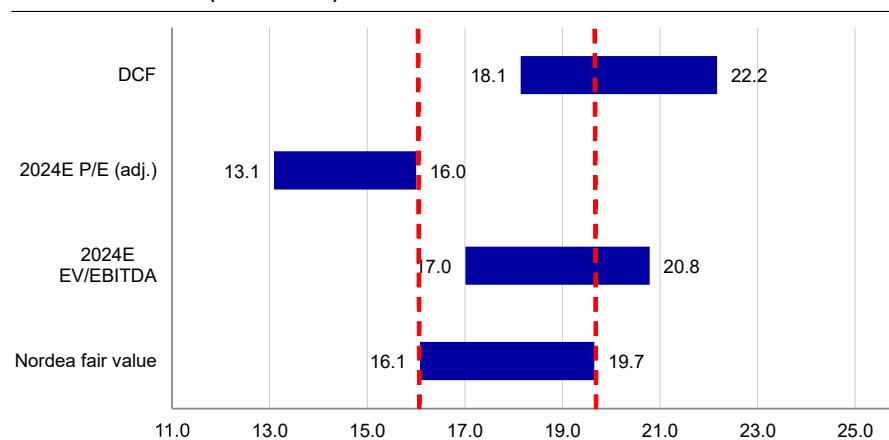
  

		Sales growth change				
		-1.0pp	-0.5pp		+0.5pp	+1.0pp
EBIT margin change	+1.0pp	20.5	21.4	22.4	23.4	24.5
	+0.5pp	19.6	20.4	21.3	22.2	23.2
		18.6	19.4	20.2	21.0	21.9
	-0.5pp	17.7	18.3	19.1	19.8	20.6
	-1.0pp	16.7	17.3	17.9	18.6	19.4

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 16.1-19.7 (15.7-19.2) per share based on our different valuation approaches. This range is represented by the red lines in the chart below.

**VALUATION RANGE (EUR/SHARE)**

Source: Nordea estimates

# Detailed estimates

## DETAILED QUARTERLY ESTIMATES

EURm	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23E	Q2 23E	Q3 23E	Q4 23E
<b>Net sales</b>	<b>53</b>	<b>52</b>	<b>59</b>	<b>74</b>	<b>62</b>	<b>59</b>	<b>65</b>	<b>75</b>	<b>65</b>	<b>62</b>	<b>67</b>	<b>78</b>
Sales growth	80%	78%	79%	98%	16%	13%	10%	2%	4%	6%	4%	4%
of which organic	9%	9%	9%	9%	-9%	-2%	0%	-5%	2%	4%	4%	4%
of which FX	3%	2%	1%	1%	-2%	-2%	-2%	-2%	-3%	-3%	-2%	-1%
of which structural	68%	67%	70%	88%	27%	16%	12%	10%	5%	4%	2%	1%
Other operating income	0.9	0.7	0.5	0.9	0.7	0.8	0.6	0.7	0.5	0.5	0.5	0.5
Materials and services	-33	-30	-33	-42	-34	-32	-36	-42	-35	-34	-37	-43
<b>Gross profit</b>	<b>20.5</b>	<b>22.5</b>	<b>24.8</b>	<b>31.8</b>	<b>28.1</b>	<b>26.6</b>	<b>28.8</b>	<b>33.7</b>	<b>29.4</b>	<b>27.9</b>	<b>30.2</b>	<b>35.0</b>
Gross margin %	38.3%	43.2%	42.3%	43.2%	45.3%	45.4%	44.4%	44.8%	45.5%	45.0%	44.8%	44.6%
Staff costs	-9	-12	-11	-15	-14	-14	-12	-15	-14	-14	-13	-15
Other operating costs	-4	-4	-5	-7	-6	-6	-6	-10	-5	-6	-4	-7
<b>EBITDA</b>	<b>7.5</b>	<b>7.0</b>	<b>10.5</b>	<b>11.0</b>	<b>8.9</b>	<b>6.6</b>	<b>11.1</b>	<b>10.1</b>	<b>10.9</b>	<b>9.0</b>	<b>13.1</b>	<b>13.5</b>
EBITDA margin %	14.0%	13.4%	17.9%	15.0%	14.3%	11.2%	17.1%	13.4%	16.9%	14.5%	19.4%	17.2%
D&A	-2.4	-3.6	-3.2	-3.8	-3.9	-4.0	-4.3	-4.8	-4.8	-4.8	-4.8	-4.8
of which depreciations	-1.8	-2.9	-2.5	-3.0	-3.1	-3.2	-3.4	-3.9	-3.9	-3.9	-4.0	-4.0
of which amortizations	-0.5	-0.7	-0.7	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
EBITA	5.7	4.1	8.0	8.0	5.7	3.4	7.7	6.2	7.0	5.1	9.1	9.5
NRI	-1.0	-0.6	-0.3	-0.7	-0.5	-0.4	-0.3	-1.7	0.0	0.0	0.0	0.0
<b>Adj. EBITA</b>	<b>6.7</b>	<b>4.7</b>	<b>8.3</b>	<b>8.7</b>	<b>6.2</b>	<b>3.8</b>	<b>7.9</b>	<b>7.9</b>	<b>7.0</b>	<b>5.1</b>	<b>9.1</b>	<b>9.5</b>
Adj. EBITA margin %	12.5%	9.0%	14.1%	11.8%	10.0%	6.5%	12.3%	10.5%	10.8%	8.2%	13.6%	12.1%
-growth y/y					-7%	-19%	-4%	-9%	13%	34%	15%	20%
<b>EBIT</b>	<b>5.1</b>	<b>3.4</b>	<b>7.3</b>	<b>7.3</b>	<b>5.0</b>	<b>2.6</b>	<b>6.8</b>	<b>5.3</b>	<b>6.1</b>	<b>4.2</b>	<b>8.2</b>	<b>8.6</b>
EBIT margin %	9.6%	6.5%	12.4%	9.9%	8.0%	4.4%	10.5%	7.1%	9.5%	6.8%	12.3%	11.0%
Net financials	-1.6	-0.5	-1.2	-1.2	-1.2	-1.9	-1.7	-1.6	-1.8	-1.5	-1.5	-1.5
PTP	3.5	2.8	6.1	6.1	3.8	0.7	5.1	3.7	4.4	2.7	6.7	7.1
Tax	-0.9	-0.7	-1.5	-0.9	-1.1	-0.7	-1.4	0.1	-1.1	-0.8	-1.6	-1.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit for equity</b>	<b>2.6</b>	<b>2.1</b>	<b>4.6</b>	<b>5.2</b>	<b>2.7</b>	<b>0.0</b>	<b>3.7</b>	<b>3.7</b>	<b>3.3</b>	<b>1.9</b>	<b>5.1</b>	<b>5.4</b>
Net profit	2.6	2.1	4.6	5.2	2.7	0.0	3.7	3.7	3.3	1.9	5.1	5.4
EPS (undiluted)	0.14	0.12	0.25	0.29	0.15	0.00	0.21	0.21	0.18	0.11	0.28	0.30

Source: Company data and Nordea estimates

**DETAILED ANNUAL ESTIMATES**

EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Net sales</b>	<b>72</b>	<b>99</b>	<b>129</b>	<b>238</b>	<b>261</b>	<b>272</b>	<b>282</b>	<b>292</b>
Sales growth	20%	37%	30%	84%	10%	4%	4%	4%
of which organic	10%	2%	3%	9%	-4%	4%	4%	4%
of which FX	0%	-1%	1%	2%	-2%	-2%	0%	0%
of which structural	10%	36%	27%	74%	15%	3%	0%	0%
Other operating income	0.4	0.5	1.0	3.1	2.8	2.0	2.0	2.1
Materials and services	-48	-66	-84	-138	-143	-150	-155	-159
<b>Gross profit</b>	<b>24.3</b>	<b>33.1</b>	<b>45.0</b>	<b>99.6</b>	<b>117.2</b>	<b>122.4</b>	<b>127.3</b>	<b>132.3</b>
Gross margin %	33.6%	33.4%	34.9%	41.9%	45.0%	45.0%	45.2%	45.4%
Staff costs	-10	-12	-17	-47	-55	-56	-57	-59
Other operating costs	-6	-8	-10	-20	-28	-22	-21	-21
<b>EBITDA</b>	<b>8.7</b>	<b>13.3</b>	<b>19.1</b>	<b>36.0</b>	<b>36.6</b>	<b>46.5</b>	<b>51.1</b>	<b>54.4</b>
EBITDA margin %	12.1%	13.5%	14.8%	15.1%	14.0%	17.1%	18.1%	18.7%
D&A	-3.0	-5.5	-8.0	-13.0	-16.9	-19.3	-19.5	-19.7
of which depreciations	-0.3	-0.4	-0.4	-10.3	-13.6	-15.8	-15.9	-16.1
of which amortizations	-2.7	-5.1	-7.6	-2.7	-3.3	-3.5	-3.6	-3.6
EBITA	8.4	13.0	18.7	25.7	23.0	30.7	35.2	38.3
NRI	0.0	0.0	0.0	-2.6	-2.8	0.0	0.0	0.0
<b>Adj. EBITA</b>	<b>8.4</b>	<b>13.0</b>	<b>18.7</b>	<b>28.3</b>	<b>25.8</b>	<b>30.7</b>	<b>35.2</b>	<b>38.3</b>
Adj. EBITA margin %	11.6%	13.1%	14.5%	11.9%	9.9%	11.3%	12.5%	13.1%
-growth y/y	4%	55%	44%		-12%	19%	15%	9%
<b>EBIT</b>	<b>5.7</b>	<b>7.9</b>	<b>11.1</b>	<b>23.0</b>	<b>19.6</b>	<b>27.2</b>	<b>31.6</b>	<b>34.7</b>
EBIT margin %	7.9%	7.9%	8.6%	9.7%	7.5%	10.0%	11.2%	11.9%
Net financials	-0.9	-5.4	-0.7	-4.6	-6.5	-6.3	-6.1	-6.0
PTP	4.8	2.5	10.4	18.5	13.2	20.9	25.5	28.7
Tax	-1.5	-1.9	-3.4	-4.1	-3.1	-5.1	-6.0	-6.6
Minority interest	-0.2	-0.2	-0.1	0.0	0.0	-0.1	0.0	0.0
<b>Net profit for equity</b>	<b>3.1</b>	<b>0.4</b>	<b>6.9</b>	<b>14.3</b>	<b>10.1</b>	<b>15.7</b>	<b>19.5</b>	<b>22.0</b>
Net profit	3.3	0.6	7.0	14.4	10.1	15.8	19.5	22.0
EPS (undiluted)	0.36	0.03	0.41	0.80	0.56	0.87	1.08	1.22
DPS		0.10	0.30	0.36	0.40	0.42	0.47	0.52

Note: According to IFRS accounting from 2021 onwards, 2018-20 according to the Finnish Accounting Standard

Source: Company data and Nordea estimates

# Risk factors

Below, we list the main risk factors that we find relevant for Relais Group. The purpose of this is not to provide a comprehensive picture of all the risks that the company may face, but instead to highlight those that we find the most relevant. The main risks we identify relate to the general economy in the Nordics, car spare parts sales and the vehicle service business. After the COVID-19 pandemic, the company is facing a tougher environment towards B2C, mainly due to lower consumer confidence and high inflation.

A sluggish economy could negatively affect car service and spare parts sales	<p><b>General economy</b></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 also increases consumers' disposable income.</p> <p>Despite the improved COVID-19 situation, the outlook for Nordic economies has suffered from geopolitical tensions. 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. After recent acquisitions, Relais is also more dependent on commercial vehicles and related services, which could be affected if economic activity deteriorates. Recent additions to the service business should improve business predictability, however, with lower seasonality.</p>
Competitors consolidating the market could hamper Relais' growth prospects	<p><b>Increasing competition</b></p> <p>The auto parts market is still very fragmented. If other players take a more active role in market consolidation, this could hurt the sales prospects for Relais and profitability if competitors become more aggressive on pricing.</p>
Disturbances by suppliers may affect product availability	<p><b>Dependence on suppliers</b></p> <p>As Relais imports its goods and does not produce spare parts or equipment itself, the company could be severely affected if its suppliers cannot deliver products as agreed or if the quality of products decreases significantly.</p> <p>The coronavirus situation has created supply-side problems and extra freight costs, which have not been resolved yet. A prolonged situation could hamper demand for Relais' spare parts and equipment.</p>
If not executed well, high M&A activity may increase costs	<p><b>Risks related to expansion</b></p> <p>Relais' ambitions to grow quickly do not come without costs, investments and risks. M&amp;A could increase costs temporarily, but also in the long term if acquisitions fail or integration is executed poorly. Hence, it is important for the company to maintain good cost control and clear M&amp;A execution plans, so as not to hamper earnings.</p>
Key employees leaving could lead to the loss of clients	<p><b>Dependence on key employees</b></p> <p>Relais depends heavily 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 could take some time to find replacements. If key employees join a competitor or start a competing business, this could significantly hamper Relais's business, leading to the loss of clients or even suppliers. Also, because Relais does not fully integrate acquired companies, its dependence on acquired key employees is high. Should Relais fail to incentivise employees in acquired companies, it could have a direct impact on sales and earnings.</p>
A share issue could dilute current shareholders' ownership	<p><b>Financial position</b></p> <p>Relais has high growth ambitions, and hence we do not rule out the need for additional equity to support future M&amp;A activity. An equity issue could dilute the current shareholders' ownership.</p>

A significant writedown of goodwill could worsen its financial position

**Substantial amount of intangible assets**

Due to M&A, Relais has accumulated significant goodwill on its balance sheet. If a future test shows a significant decline in the value of goodwill, this could have a huge impact on the balance sheet and earnings. A weakening balance sheet could limit the potential for new financing and thus have a negative impact on future M&A and operations.

Crucial IT system failures or slow adoption of new technology could put Relais in a disadvantageous position

**IT systems**

Relais depends on its IT systems, and any disruption to these could affect the company's daily business, costs and reputation. Slow adoption of or adaptation to new technology could leave Relais in a disadvantageous position versus its competitors.

# Reported numbers and forecasts

## INCOME STATEMENT

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Total revenue</b>	<b>54</b>	<b>59</b>	<b>60</b>	<b>72</b>	<b>99</b>	<b>129</b>	<b>238</b>	<b>261</b>	<b>272</b>	<b>282</b>	<b>292</b>
Revenue growth	28.6%	9.1%	2.6%	19.9%	36.6%	30.3%	84.5%	9.6%	4.5%	3.5%	3.5%
of which organic	8.8%	9.5%	-0.8%	9.5%	2.0%	3.0%	9.1%	-4.1%	3.5%	3.5%	3.5%
of which FX	0.0%	0.0%	0.0%	0.0%	-1.1%	0.7%	1.5%	-2.0%	-1.9%	0.0%	0.0%
EBITDA	0	9	8	9	13	19	36	37	46	51	54
Depreciation and impairments PPE	0	0	0	0	0	0	-10	-14	-16	-16	-16
of which leased assets	0	0	0	0	0	0	-7	-9	-13	-14	-14
EBITA	0	9	8	8	13	19	26	23	31	35	38
Amortisation and impairments	0	-2	-2	-3	-5	-8	-3	-3	-4	-4	-4
EBIT	n.a.	7	6	6	8	11	23	20	27	32	35
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	-1	-1	-1	-5	-1	-5	-6	-6	-6	-6
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	-2	0	0	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>10</b>	<b>18</b>	<b>13</b>	<b>21</b>	<b>25</b>	<b>29</b>
Reported taxes	0	-1	-1	-2	-2	-3	-4	-3	-5	-6	-7
Net profit from continued operations	0	3	4	3	1	7	14	10	16	20	22
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	-1	0	0	0	0	0	0	0	0	0
Net profit to equity	0	2	4	3	0	7	14	10	16	20	22
<b>EPS, EUR</b>	<b>n.a.</b>	<b>0.22</b>	<b>0.42</b>	<b>0.34</b>	<b>0.03</b>	<b>0.39</b>	<b>0.77</b>	<b>0.54</b>	<b>0.84</b>	<b>1.04</b>	<b>1.17</b>
DPS, EUR	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.42	0.47	0.52
of which ordinary	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.42	0.47	0.52
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%	15.2%	13.8%	12.1%	13.5%	14.8%	15.1%	14.0%	17.1%	18.1%	18.7%
EBITA	0.0%	14.5%	13.4%	11.6%	13.1%	14.5%	10.8%	8.8%	11.3%	12.5%	13.1%
EBIT	n.a.	11.6%	10.2%	7.9%	7.9%	8.6%	9.7%	7.5%	10.0%	11.2%	11.9%

## Adjusted earnings

EBITDA (adj)	0	11	8	9	13	19	39	39	46	51	54
EBITA (adj)	0	10	8	8	13	19	28	26	31	35	38
EBIT (adj)	0	8	6	6	8	11	26	22	27	32	35
EPS (adj, EUR)	n.a.	0.40	0.42	0.34	0.29	0.39	0.91	0.69	0.84	1.04	1.17

## Adjusted profit margins in percent

EBITDA (adj)	0.0%	18.0%	13.8%	12.1%	13.5%	14.8%	16.2%	15.1%	17.1%	18.1%	18.7%
EBITA (adj)	0.0%	17.3%	13.4%	11.6%	13.1%	14.5%	11.9%	9.9%	11.3%	12.5%	13.1%
EBIT (adj)	0.0%	14.4%	10.2%	7.9%	7.9%	8.6%	10.8%	8.6%	10.0%	11.2%	11.9%

## Performance metrics

CAGR last 5 years											
Net revenue	17.6%	16.0%	14.3%	17.8%	18.7%	19.0%	32.2%	34.0%	30.3%	23.3%	17.7%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	32.1%	34.4%	39.7%	30.8%	23.3%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27.5%	26.2%	36.6%	32.1%	25.6%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.6%	5.2%	19.6%	101.4%	24.8%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	36.3%	11.6%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	9.0%	9.0%	8.4%	8.9%	9.5%	10.1%
Average EBITDA margin	0.0%	4.1%	7.0%	9.0%	11.4%	13.9%	14.3%	14.2%	15.2%	16.0%	16.7%

## VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	28.0	37.9	29.0	14.8	15.0	12.0	10.7
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	10.2	15.3	16.4	8.5	7.9	6.9	6.2
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	10.5	15.6	22.3	13.0	11.9	10.0	8.8
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	17.3	26.3	24.6	14.9	13.4	11.1	9.7

## VALUATION RATIOS - REPORTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E	n.a.	n.a.	n.a.	n.a.	n.m.	37.9	34.3	19.0	15.0	12.0	10.7
EV/Sales	n.a.	n.a.	n.a.	n.a.	1.37	2.26	2.66	1.28	1.34	1.25	1.16
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	10.2	15.3	17.5	9.1	7.9	6.9	6.2
EV/EBITA	n.a.	n.a.	n.a.	n.a.	10.5	15.6	24.5	14.6	11.9	10.0	8.8
EV/EBIT	n.a.	n.a.	n.a.	n.a.	17.3	26.3	27.4	17.0	13.4	11.1	9.7
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	1.2%	2.0%	1.4%	3.9%	3.4%	3.8%	4.2%
FCF yield	n.a.	n.a.	n.a.	n.a.	-61.8%	2.8%	-10.2%	6.6%	14.1%	14.8%	15.9%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	1.4%	6.0%	0.5%	9.4%	8.4%	9.0%	10.1%
Payout ratio	n.a.	0.0%	0.0%	0.0%	33.9%	77.4%	39.7%	58.2%	50.3%	45.2%	44.3%

Source: Company data and Nordea estimates

**BALANCE SHEET**

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Intangible assets	0	5	7	5	54	59	130	133	130	126	122
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	1	0	15	15	15	15	15
of which goodwill	0	5	7	5	54	58	114	118	115	111	107
Tangible assets	0	0	0	0	0	0	59	57	43	43	43
of which leased assets	0	0	0	0	0	0	54	52	39	39	39
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	1	1	1	1	1
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	5	7	5	54	59	189	191	173	170	166
Inventory	0	26	27	29	43	44	73	68	68	70	73
Accounts receivable	0	5	8	8	12	13	34	33	34	35	37
Short-term leased assets	0	0	0	0	0	0	0	0	14	14	14
Other current assets	0	3	1	2	3	3	0	4	5	5	5
Cash and bank	0	1	2	2	30	35	12	14	16	19	19
Total current assets	0	35	37	42	88	95	119	119	136	144	148
Assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total assets</b>	<b>0</b>	<b>40</b>	<b>44</b>	<b>47</b>	<b>142</b>	<b>154</b>	<b>308</b>	<b>309</b>	<b>310</b>	<b>313</b>	<b>314</b>
Shareholders equity	0	6	11	17	64	72	102	104	112	124	138
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	3	3	1	0	0	0	0	0	0	0
Total Equity	0	9	14	17	64	72	102	104	113	124	138
Deferred tax	0	0	0	0	2	3	6	6	6	6	6
Long term interest bearing debt	0	15	11	14	59	58	91	96	86	76	61
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	3	0	2	0	0	2	1	1	1	1
Non-current lease debt	0	0	0	0	0	0	44	42	40	40	40
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	18	12	16	62	61	143	144	133	123	108
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	3	4	4	7	9	46	35	37	38	39
Current lease debt	0	0	0	0	0	0	11	12	14	14	14
Other current liabilities	0	3	4	5	6	8	0	7	7	7	7
Short term interest bearing debt	0	8	12	6	5	5	6	7	7	7	7
Total current liabilities	0	14	19	15	18	21	63	61	65	66	68
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities and equity</b>	<b>0</b>	<b>40</b>	<b>45</b>	<b>48</b>	<b>143</b>	<b>155</b>	<b>308</b>	<b>309</b>	<b>310</b>	<b>313</b>	<b>314</b>
<b>Balance sheet and debt metrics</b>											
Net debt	0	22	22	18	35	28	140	143	131	117	102
of which lease debt	0	0	0	0	0	0	55	53	54	54	54
Working capital	0	28	28	31	46	44	61	63	63	65	68
Invested capital	0	33	35	36	100	103	250	254	237	235	233
Capital employed	0	32	37	37	128	135	254	260	259	261	260
ROE	n.m.	64.1%	44.7%	22.7%	1.0%	10.2%	16.5%	9.8%	14.5%	16.5%	16.8%
ROIC	n.m.	40.5%	14.2%	12.7%	9.1%	8.6%	11.5%	7.0%	8.8%	10.6%	11.7%
ROCE	n.m.	53.4%	17.9%	15.7%	9.6%	10.1%	13.8%	10.6%	11.2%	12.9%	14.1%
Net debt/EBITDA	n.m.	2.5	2.6	2.0	2.6	1.5	3.9	3.9	2.8	2.3	1.9
Interest coverage	n.a.	9.3	7.1	6.0	1.5	4.6	4.2	2.2	3.5	4.1	4.5
Equity ratio	n.m.	15.2%	23.8%	34.7%	44.5%	46.5%	33.1%	33.6%	36.3%	39.7%	44.0%
Net gearing	n.m.	244.3%	152.2%	102.0%	54.3%	39.1%	136.5%	137.4%	116.1%	94.2%	74.2%

Source: Company data and Nordea estimates



**CASH FLOW STATEMENT**

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>EBITDA (adj) for associates</b>	<b>0</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>19</b>	<b>36</b>	<b>37</b>	<b>46</b>	<b>51</b>	<b>54</b>
Paid taxes	0	0	0	-2	-2	-3	-5	-3	-5	-6	-7
Net financials	0	0	0	-1	-6	-1	-3	-4	-6	-6	-6
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	3	-3	2	-2	0	1	-1	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	-11	-6	-2	1	0	-5	1	0	0	0
<b>Funds from operations (FFO)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>5</b>	<b>15</b>	<b>24</b>	<b>29</b>	<b>35</b>	<b>39</b>	<b>42</b>
Change in NWC	0	0	0	-2	-3	1	-12	0	0	-2	-2
<b>Cash flow from operations (CFO)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>16</b>	<b>12</b>	<b>29</b>	<b>35</b>	<b>37</b>	<b>39</b>
Capital expenditure	0	0	0	0	0	0	-2	-2	-2	-2	-2
<b>Free cash flow before A&amp;D</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>16</b>	<b>9</b>	<b>27</b>	<b>33</b>	<b>35</b>	<b>37</b>
Proceeds from sale of assets	0	0	0	0	1	1	0	0	0	0	0
Acquisitions	0	0	0	-1	-65	-9	-60	-15	0	0	0
Free cash flow	0	0	0	2	-63	7	-50	13	33	35	37
Free cash flow bef A&D, lease adj	0	0	0	3	1	16	2	18	20	21	24
Dividends paid	0	0	0	0	0	-2	-5	-6	-7	-8	-9
Equity issues / buybacks	0	0	0	0	44	0	1	0	0	0	0
Net change in debt	0	0	0	0	42	-1	32	9	-10	-10	-15
Other financing adjustments	0	0	0	0	0	0	0	0	-13	-14	-14
Other non-cash adjustments	0	1	1	-2	4	1	0	-14	0	0	0
Change in cash	0	1	1	1	27	5	-23	2	2	4	0
<b>Cash flow metrics</b>											
Capex/D&A	n.m.	0.0%	0.0%	6.9%	7.3%	2.5%	17.6%	10.2%	10.4%	10.8%	11.2%
Capex/Sales	0.0%	0.0%	0.0%	0.3%	0.4%	0.2%	1.0%	0.7%	0.7%	0.7%	0.8%
<b>Key information</b>											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	8	15	26	10	13	13	13
Market cap.	n.a.	n.a.	n.a.	n.a.	101	263	492	192	235	235	235
Enterprise value	n.a.	n.a.	n.a.	n.a.	136	292	632	334	365	352	337
Diluted no. of shares, year-end (m)	0.0	9.1	9.1	9.1	12.3	17.9	18.7	18.8	18.8	18.8	18.8

Source: Company data and Nordea estimates

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**Completion Date**

03 Mar 2023, 00:59 CET

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