



Relais Group Plc

Q4/2022 Interim Management Report

2 March 2023

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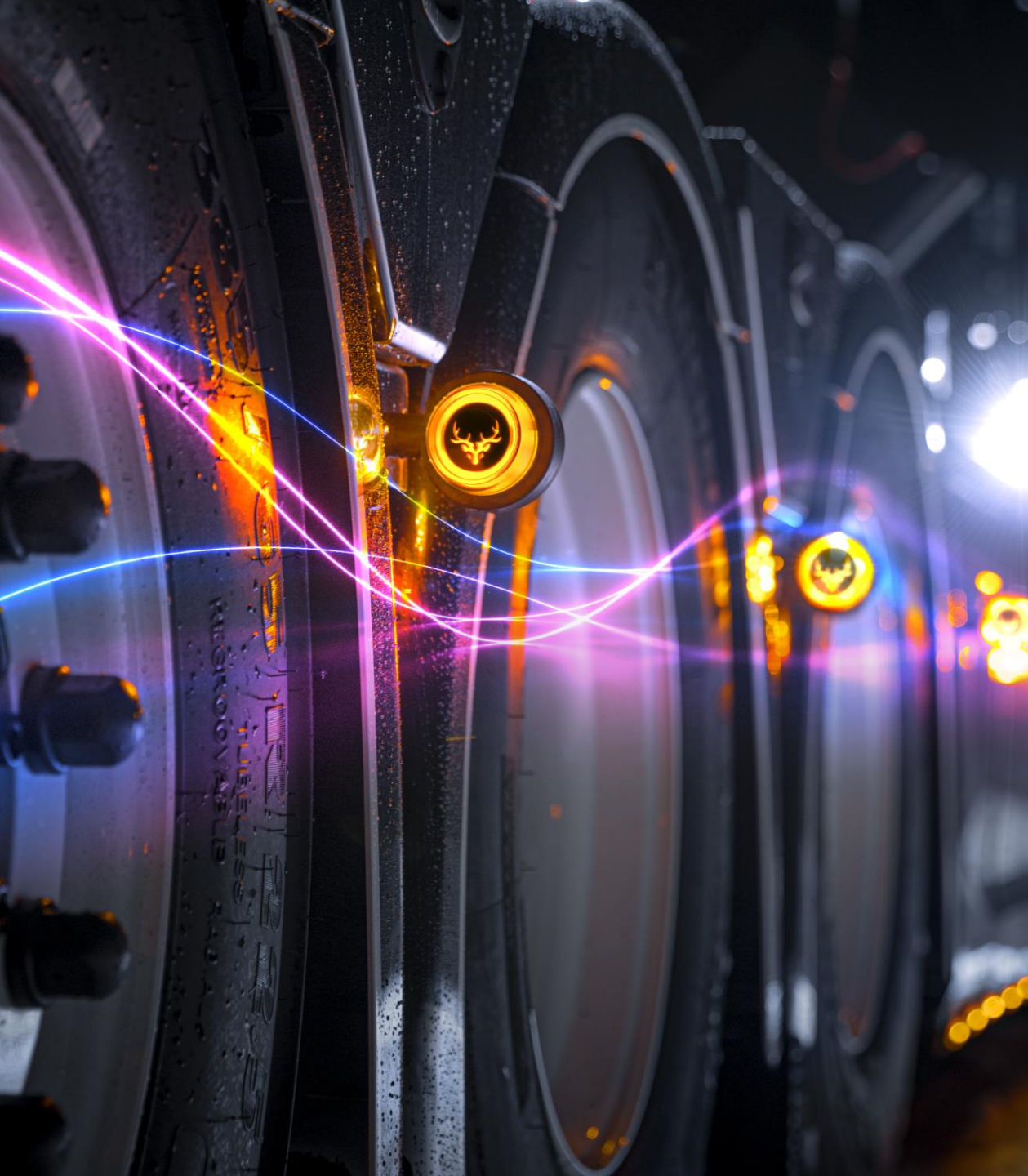
Presenting today:



Arni Ekholm
CEO



Pekka Raatikainen
CFO



Content

- Relais in brief
- The vehicle aftermarket opportunity
- Sales by segment and business area
- Business review Q4/2022
- Financial review 2022
- Relais as an investment

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Relais in brief



Net sales 2022 (2021)

MEUR **260.7** (237.8)

+9.6%

Comparable EBITDA 2022 (2021)

MEUR **39.4** (38.6)

+2.1%

Comparable EBITA 2022 (2021)

MEUR **25.8** (28.3)

-8.9%

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What is Relais all about

- Relais Group Plc is a consolidator and **smart compounder** with a sector focus on vehicle aftermarket in the Nordic region
- We serve as a **growth platform** for our group companies and **build** them into great businesses
- We consider the value generated during the whole **vehicle life cycle** and are focused on the sector with the biggest potential for earnings growth and least cyclicity --- **the aftermarket.**
- We create **shareholder value** by delivering **strong earnings growth** through a strategy based on three reinforcing themes:
 - Acquisitions
 - Synergies
 - Operational excellence

Relais Group Growth Strategy



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Relais Group strategy defined

The strong earnings growth is to come from a combination of organic growth and acquisitions

Organic:

- Faster than average market, supported by **synergies** (cross sales, combined purchase power)
- Focus on **operational excellence** (NWC, cash flow, systems, pricing, synergies)

Acquisitions:

- **Add-ons** to existing platforms:
 - **Strategic**
 - **Tactical**
- **New platforms**
- **OPPORTUNITY DRIVEN:** we act in a disciplined manner, but are always open for opportunistic deals as well
- **ACQUISITION FINANCING:** We can use all customary financing tools when making acquisitions (e.g. own cash, own shares, vendor financing, senior financing, equity or equity-like financing etc.)

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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Updated financial target

We accelerate our growth plan and aim to reach
a pro forma EBITA of

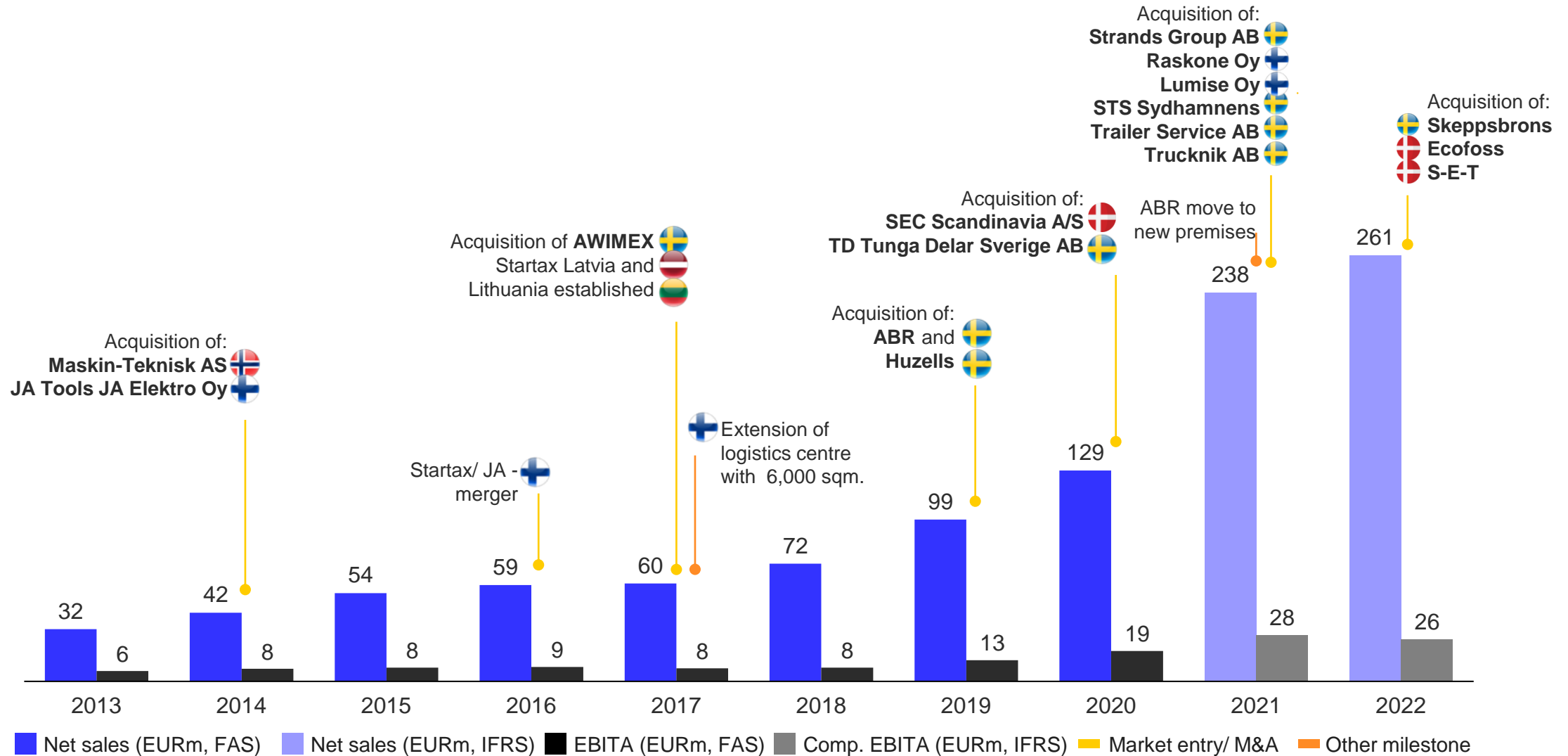
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MEUR by end of 2025

- We consider a **profit target** to be more relevant in describing the shareholder **value creation potential** of the Company, as opposed to a net sales target.
- We see a large amount of **potential acquisition opportunities** with increasingly **attractive** valuation levels.
- **Improved cash flow** as a result of operational excellence projects that have been introduced and rolled out starting in 2022, in combination with other **customary financing tools**, allow for an **accelerated acquisition driven growth plan**.



Strong growth supported by acquisitions



Relais Group companies

Technical wholesale and products



Huzells



Commercial vehicle repair and maintenance



1,000
professionals in
6 countries



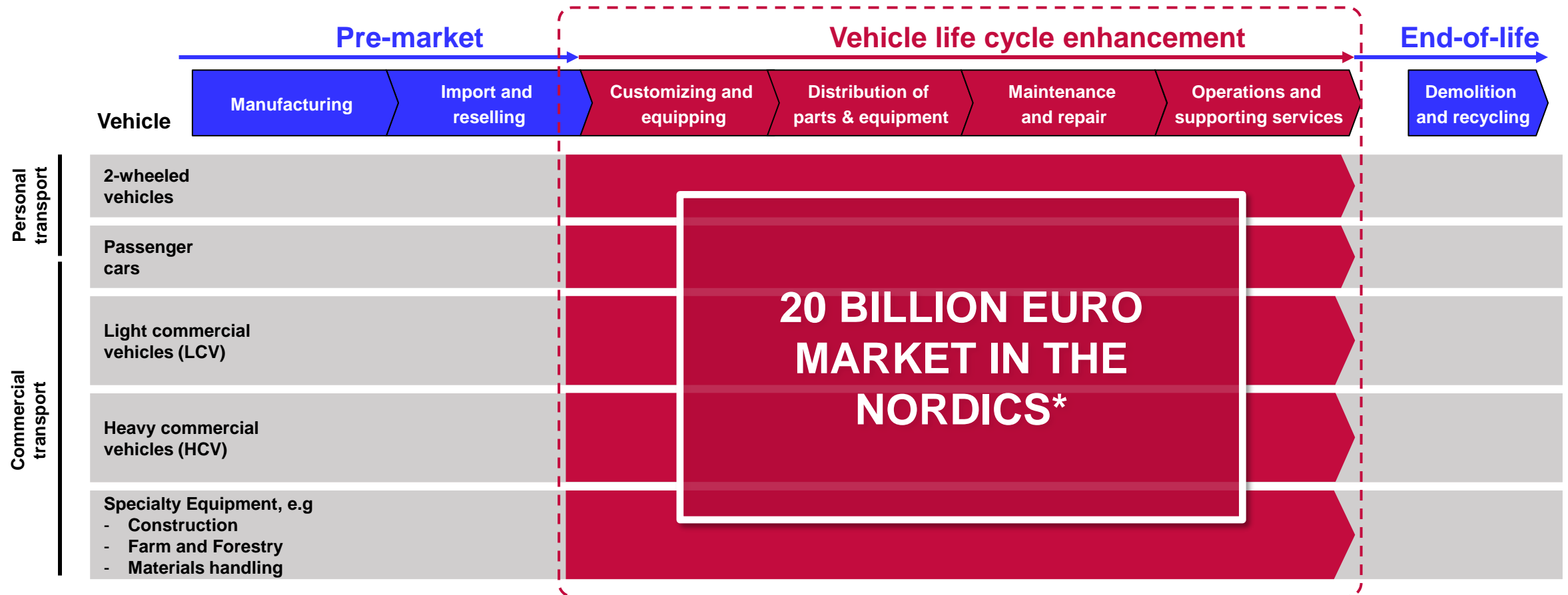
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The vehicle aftermarket
opportunity

Vehicle aftermarket defined

Overall framework combined with the vehicle categories

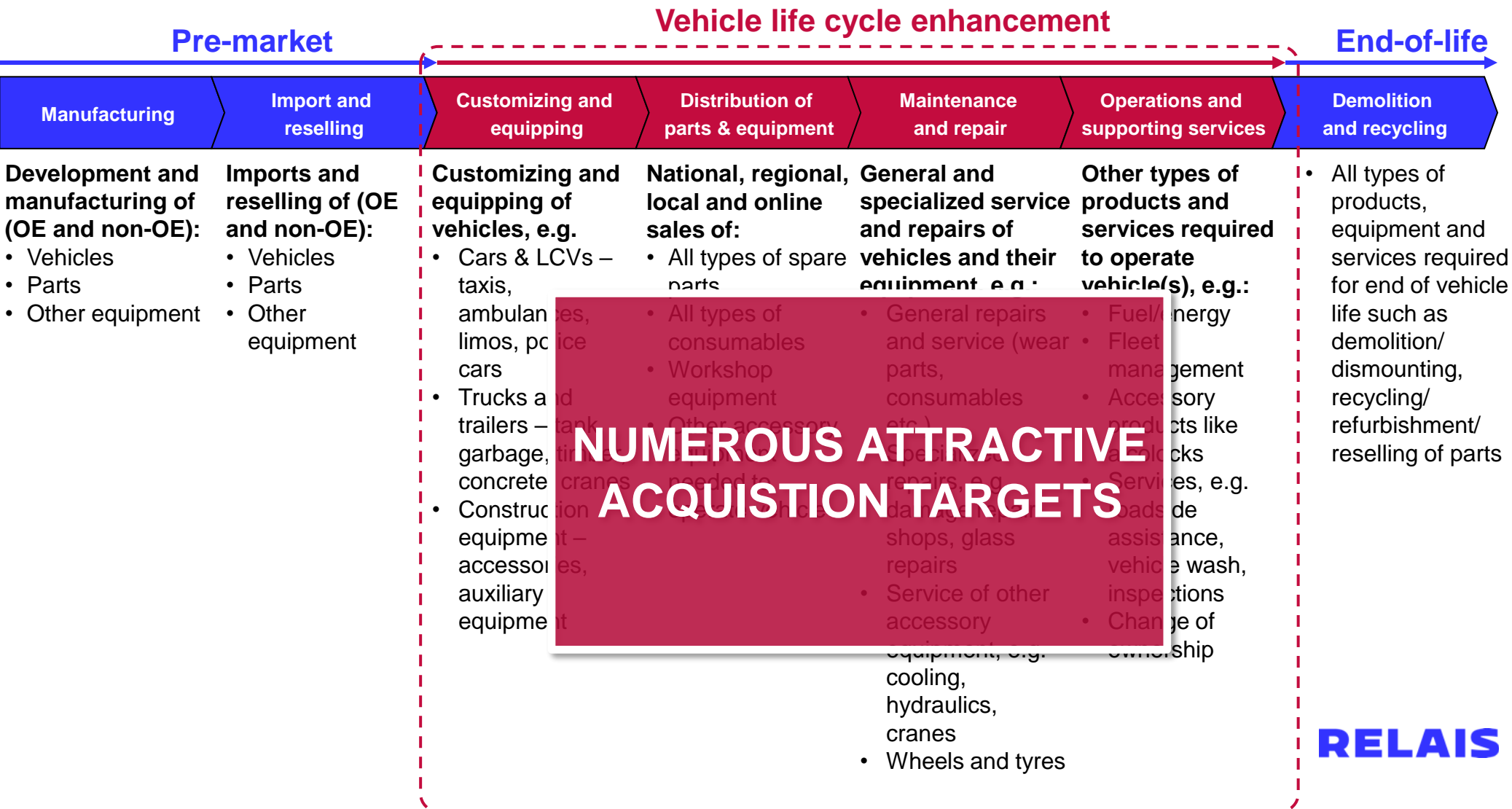


*management estimate 2021

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Vehicle aftermarket defined

An overall vehicle life cycle framework relevant for Relais Group



Vehicle aftermarket defined

Why is the vehicle aftermarket attractive from a value creation perspective?

Large, fragmented

- Sweden (excl. vehicle sales) account for MEUR +17 billion in yearly turnover across +16000 companies and +57 000 employees
- All of Nordic assessed to be 2.5x this, or MEUR +40 billion in yearly turnover (OE share approx. 50%)

Disruption

- Growing number of BEVs
- Circular economy and sustainability aspects
- Private leasing, fleets
- Technology & digitalization (e.g. ADAS*, connected car, autonomous driving etc.)
- Powertrain development and alternative fuels for ICE (synthetic, bio-fuel)

Value & growth

- Large and 'inert' installed base, over 19 million vehicles. Stable and countercyclical market
- Growing demand for last mile deliveries
- Growing need for power management and lighting for commercial vehicles
- Range extension opportunities (e.g. connectivity, lighting, sensors, BEV/PHEV spare parts)
- "Personal and urban mobility" → 2-wheel sector projected to grow

* advanced driver-assistance system

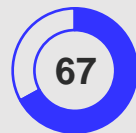
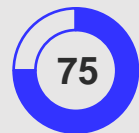
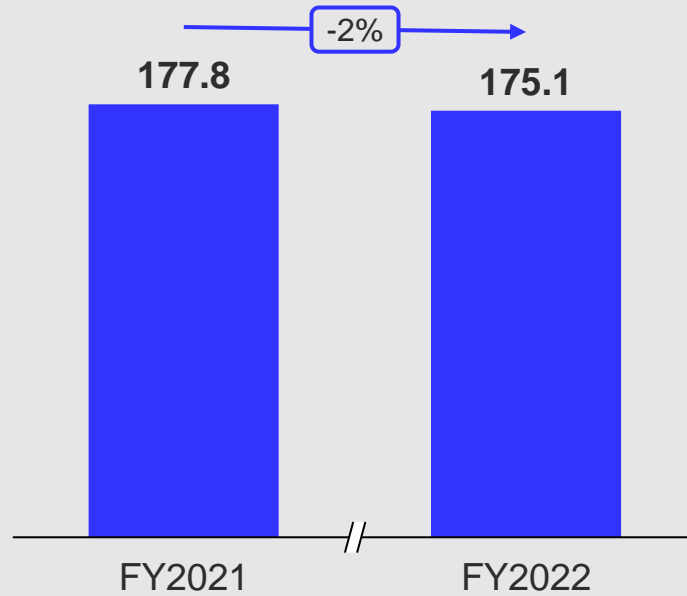
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Sales by segment and
business area

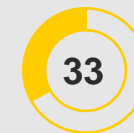
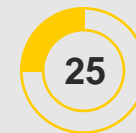
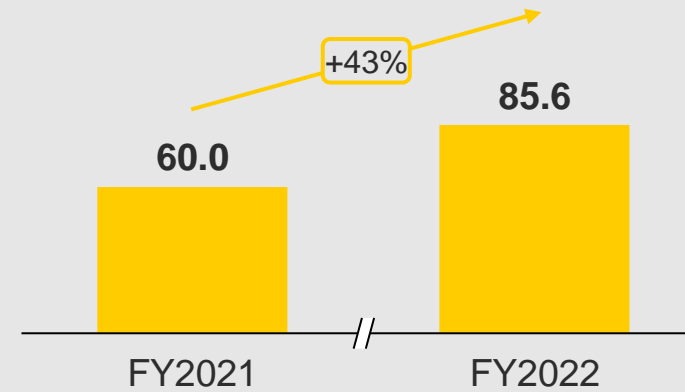
Reported sales by business area full year 2022

Net sales, EURM

% of group



Technical wholesale and products



Repair and Maintenance

Technical wholesale and products includes spare parts, equipment, lighting and other sales.

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Reported sales by product group full year 2022



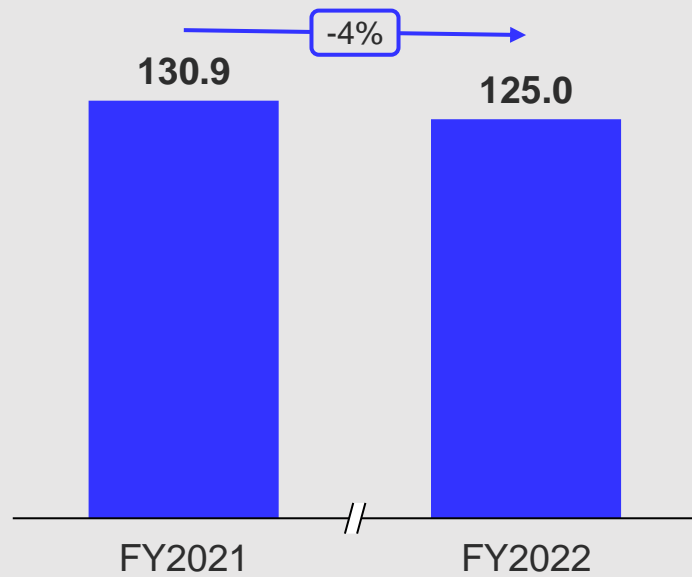
Note: totals may not add up due to minor other sales

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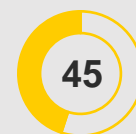
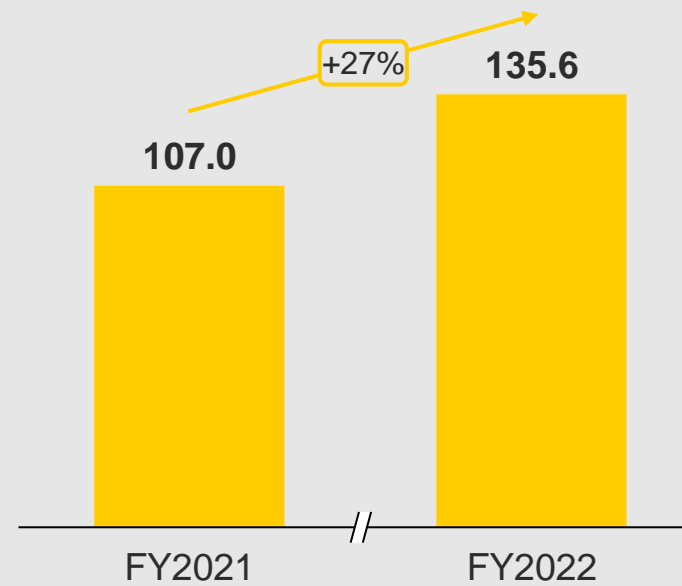
Reported sales by segment full year 2022

External revenue, EURM

% of group



Finland & Baltics



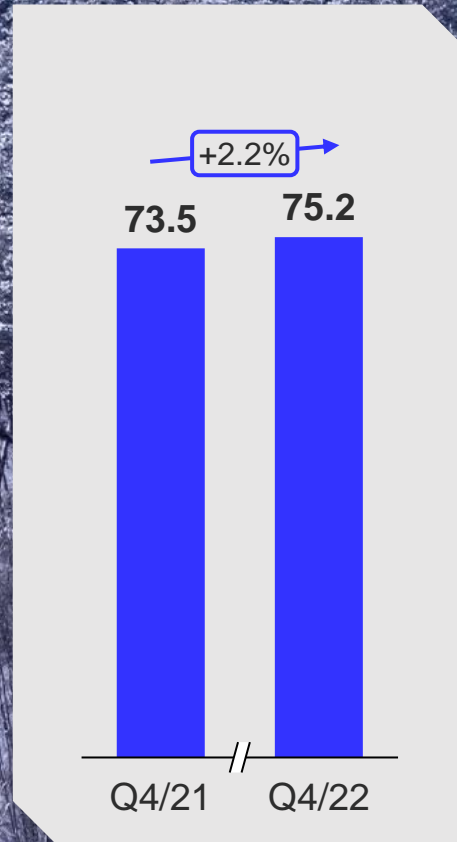
Scandinavia

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Business review Q4 2022:
Strong cash flow growth and a solid
sales result

Q4 – Strong cash flow growth and a solid sales result



+2.2%
Group sales growth

+5%
Group sales growth
with comparable exchange
rates

10.5%¹
Comparable EBITA-%

17.2 EURM
Net cash flow from
operations

- Organic growth in Scandinavia was +5% and -8% in Finland & Baltics, compared to record high sales in 2021
- This reflects general market conditions according to our estimate

Notes: 1) Reported EBITA-% was 8.2%

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Solid sales and stabilizing profitability

- The sales growth was strong especially in **Scandinavia**.
- Finland faced some challenges due to **weak consumer demand** and relatively mild winter conditions
- Relais Group is one of the **biggest actors** within the European vehicle aftermarket lighting business. Despite the challenging market conditions, we managed to **grow** the Group's lighting sales with 3 per cent with comparable exchange rates. The sluggish consumer demand in Finland was offset by the **strong growth** of our Strands-lighting business in Scandinavia and rest of Europe

- After the challenging first half of the year, the profitability of the Group started to **recover** during the third quarter
- The comparable EBITA in Q4 amounted to EUR 7.9 million (8.7) resulting in a comparable EBITA-margin of 10.5 per cent (11.8)
- The decline of the comparable EBITA relates mainly to the weak consumer demand for discretionary products in Finland during Q4, the increased marketing and other operating costs in the Group's **on-line business in Finland** and the currency effects
- The weakened SEK/EUR ratio had a negative impact of ca EUR **0.2** million during the quarter

Reported sales by product group Q4/2022



Note: Excluding minor other sales

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Buy and build strategy in action

- A core component of Relais Group's strategy is the **consolidation** of the vehicle aftermarket in the Nordic region.
 - During 2022 we felt that the market environment was poor for acquisitions due to the **mismatch between buyer and seller expectations**, but nevertheless Relais made three acquisitions during the year and strengthened our position in both **Denmark** and **Sweden**.
 - We are now clearly the **leading operator** of independent repair and maintenance workshops for commercial vehicles in Sweden and Finland.
- An important part of our acquisition driven strategy is also **building and developing** the operations of the acquired companies.
 - We managed to clearly **improve the sales and profitability** of our repair & maintenance business and were successful in recruiting **more mechanics** in both Finland and Sweden during the past year.

Operational excellence

Operational efficiency actions as described in Q3 report

- 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 ✓

Impact

Several price increases carried out. NWC and pricing projects implemented and ongoing, and have shown good results

Group inventory decreased by more than 14 MEUR from the peak level in early Q3. Significant growth of cash flow

Solid sales performance without compromising the Gross margin levels

Outlook



Outlook for 2023

We feel we are **well prepared** to continue the implementation of our strategy during 2023.

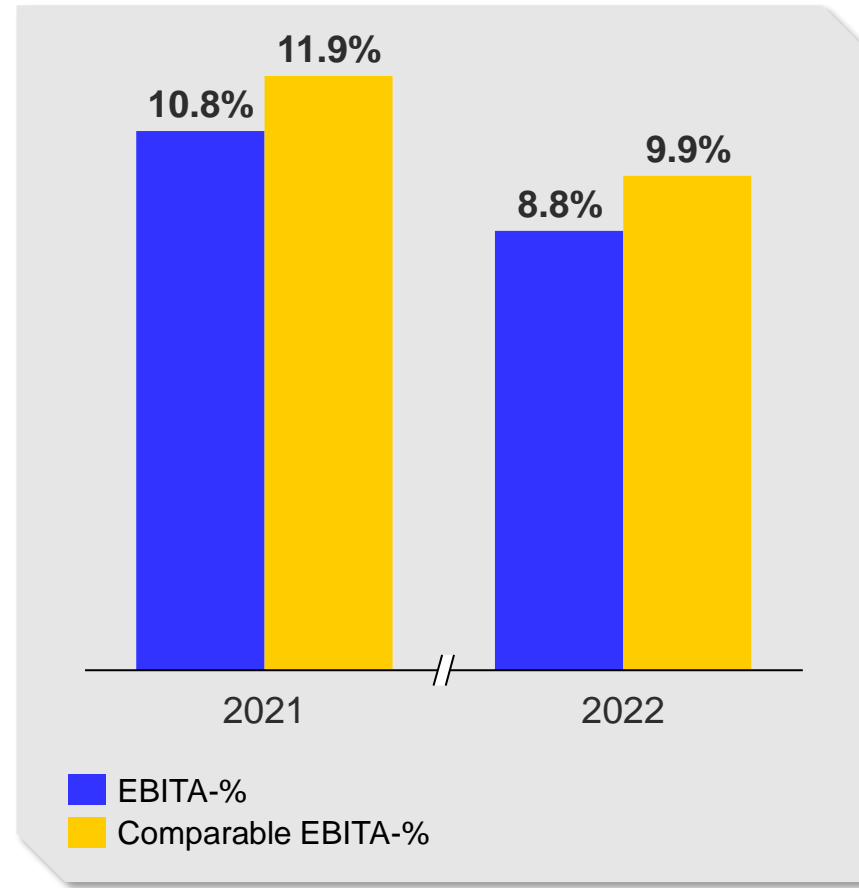
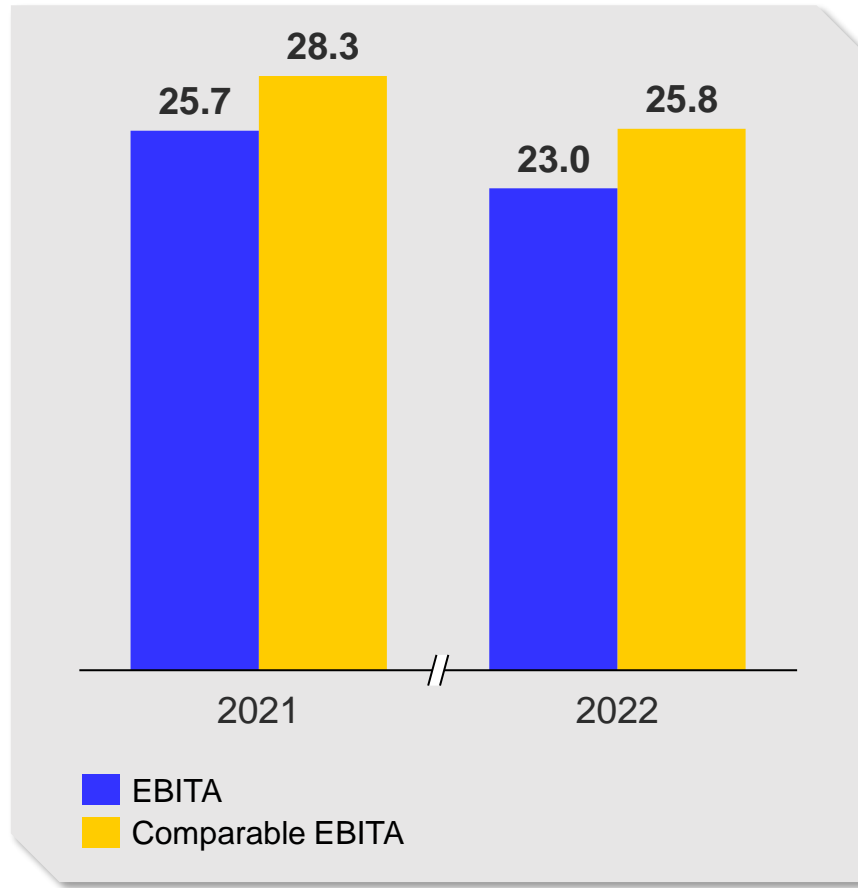
The solid financial position of the Group is also reflected in the Board of Director's dividend proposal of **EUR 0.40** per share to be paid in two equal instalments in April and November.

We will continue focusing on **accelerating further acquisitions and organic growth** and improving the profitability with **operational efficiency** measures during the year.

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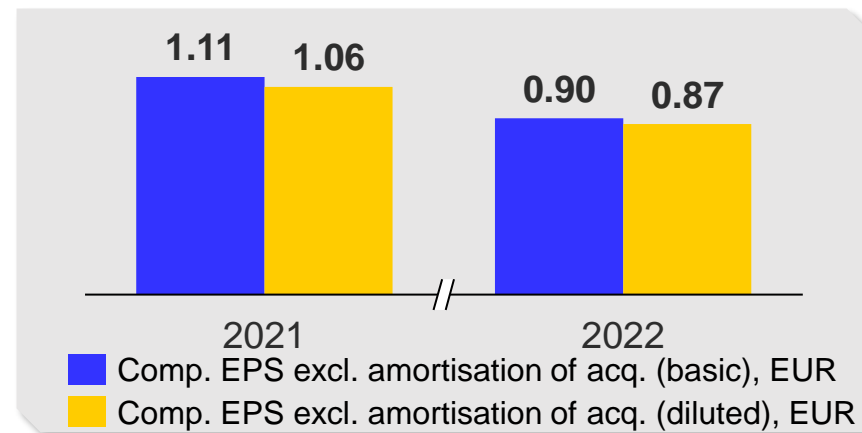
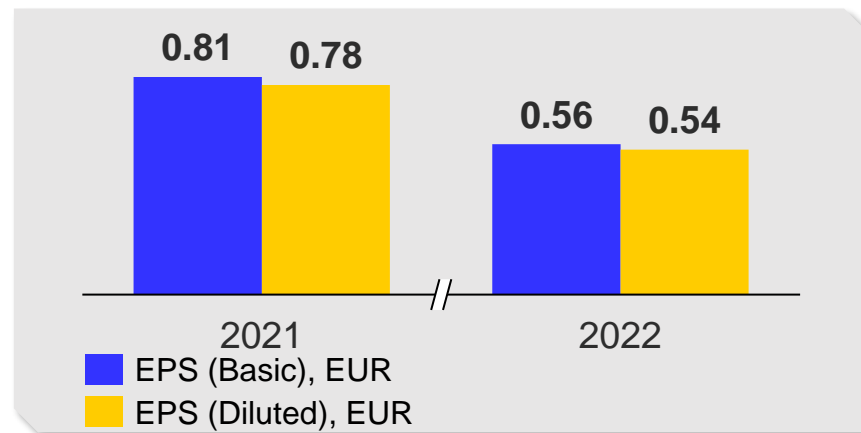
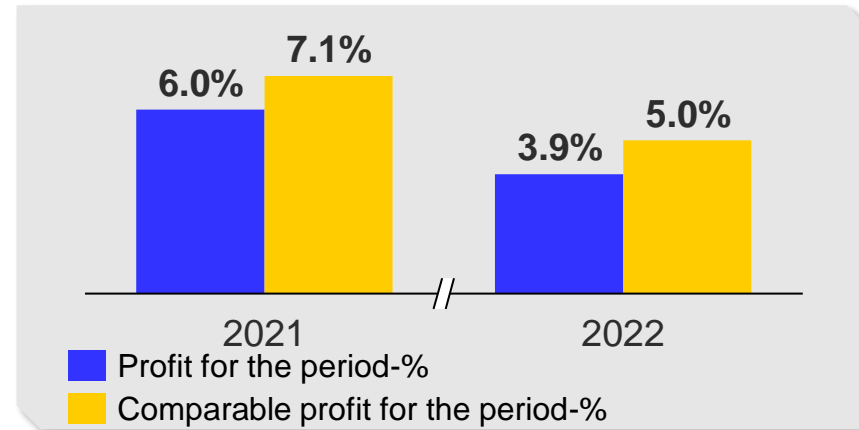
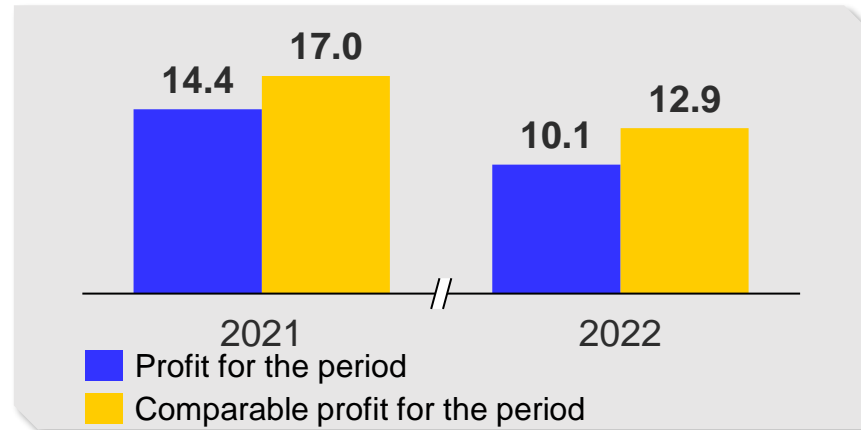
Financial review 2022

EBITA development



- 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

Profit development



- 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 **309.2** (310.5)
million

Total equity
EUR **104.0** (104.5)
million

Net debt excl. lease liabilities
EUR **90.1** (84.8)
million

Net gearing excl. lease liabilities
86.6 (81.2)
%

Equity ratio
33.6 (33.6)
%

Cash assets
EUR **13.5** (11.8)
million

Cash flow development

Cash flow from operations

EUR **28.8** (13.2)
million

- During the first and second quarters cash flow was significantly burdened by working capital tied up for advanced and increased product purchases.
- The growth of working capital discontinues in the third quarter, when the operating cash flow turned clearly positive, and in the last quarter there was a very strong increase.

Cash flow from investments

EUR **-16.2** (-55.2)
million

- Includes additional consideration for STS Sydhamnens Trailer Service AB shares, cash consideration for Skeppsbrons Jonköping AB shares and cash consideration for S-E-T A/S shares
- Investments of EUR -1.5 million in machinery and equipment mainly for repair workshop business were also included.

Cash flow from financing

EUR **-10.5** (19.3)
million

- The amount of new acquisition loans drawn down from the existing facility during the review period was approximately EUR 16.5 million.
- Repayments, EUR 7.0 million, 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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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

