

4 May 2023

Commissioned research: Relais Group Oyj – Strong Q1 – repair and maintenance was the main growth driver

Marketing material commissioned by Relais Group Oyj

Relais reported Q1 adjusted EBITA of EUR 7.6m, 23% above Refinitiv consensus and 8% above our estimate. Net sales were EUR 69m (up 11% y/y), 7% above Refinitiv consensus and our estimates. EBITA was burdened by EUR -0.1m costs related to acquisition. Q1 sales growth was driven by repair and maintenance business (+11% y/y organic growth) while technical wholesale and products business organic growth was +1% y/y in Q1. Sales increased 19% y/y in Scandinavia, while sales were up 3% y/y in Finland-Baltics, reflecting the general market conditions. On product group level, Equipment was up 13% y/y while Lighting was up 7% y/y. The company expects positive contribution from operational efficiency measure initiated last year for Q2, while the effect is likely to fade in H2. Gross margin came above expectations, likely due to good performance in Lighting and a strong organic growth in repair and maintenance. Operating cash flow improved substantially and was EUR 11m (EUR 2.4m a year ago), driven by 10% y/y (-2% q/q) decline in inventories. Working capital level has normalised. Relais does not give short-term outlook. On initial take, we believe consensus to make around 5% positive EBITA revisions for 2023E-25E.

RELAIS GROUP OYJ: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q1 2023	Q1 2023E	vs. actual		Q1 2023E	vs. actual	Q4 2022	q/q	Q1 2022	y/y	
Sales	69.0	64.7	4	7%	64.5	4	7%	75.2	-8%	62.1	11%
Gross profit	32.1	29.4	2.7	9%	29	3.1	11%	33.7	-5%	28.1	
Gross margin	46.5%	45.5%	1.0pp		45.0%	1.6pp		44.8%	1.8pp	45.3%	1.2pp
Adj. EBITA	7.6	7.0	0.6	8%	6.2	1.4	23%	7.9	-4%	6.2	23%
Adj. EBITA margin	11.0%	10.8%	0.2pp		9.6%	1.4pp		10.5%	0.5pp	10.0%	1.1pp
EBITA	7.5	7.0	0.5	7%	6.2	1.3	21%	6.2	22%	5.7	31%
EBITA margin	10.9%	10.8%	0.1pp		9.6%	1.3pp		8.2%	2.7pp	9.2%	1.7pp
EBIT	6.6	6.1	0.5	8%	5.0	1.6	33%	5.3	25%	5.0	33%
EBIT margin	9.6%	9.5%	0.1pp		7.8%	1.9pp		7.1%	2.6pp	8.0%	1.6pp
PTP	4.5	4.4	0.1	3%	4.0	0.5	13%	3.7	23%	3.8	19%
EPS	0.16	0.17	-8%		0.13	0.03	23%	0.20		0.14	

Source: Company data, Refinitiv and Nordea estimates

Q1 adjusted EBITA above expectations due to strong sales growth and healthy gross margin

Relais Q1 net sales were EUR 69m, up 11% y/y, and came 7% above Refinitiv consensus expectations. We note relatively weak quality of consensus. Scandinavian businesses performed well, while the market was weaker in Finland-Baltics. Sales increased 19% y/y in Scandinavia and were up 3% y/y in Finland-Baltics. On product group level sales increased the most in Equipment, +13% y/y and in Lighting, +7% y/y.

Adjusted EBITA was 7.6m in Q1, up 23% y/y, and came 23% above consensus and 8% above Nordea estimate. Beat is driven by higher sales and higher-than-expected gross margin (likely due to strong organic growth of repair and maintenance, +10% y/y, and positive development in lighting sales).

Q1 EBIT was EUR 6.6m, and came 33% above consensus and 8% above Nordea expectations. There were EUR -0.1m of items affecting comparability in Q1 (we did not anticipated any).

Reported EPS of EUR 0.16 beating consensus of EUR 0.13.

Inventories were down 2% q/q (-10% y/y or EUR 7.6m). We note that gross margin came above our expectation, which indicates that the company has been successful with its inventory reduction without any meaningful discount sales. Operating cash flow was strong at EUR 11m (up from EUR 2.4m a year ago).

Outlook for 2023

The company does not provide a numeric guidance for financial year 2023. Prior to the Q1, Refinitiv consensus has been anticipating 4% sales growth and EUR 30.1m adjusted EBITA in 2023 (EUR 25.8m in 2022). We have modelled 4% sales growth and EUR 30.7m adjusted EBITA in 2023E. The company expects that the operational efficiency measures initiated last year will still contribute positively to its profitability development during Q2, while the effect will gradually decrease during H2 compared to the previous year.

Initially, we expect consensus to make positive adjusted EBITA revisions of around 5% for 2023E-25E.

Relais will arrange a webcast with CEO and CFO at 10:00 CET, which can be followed through link: <https://relais.videosync.fi/q1-2023-result/>

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	129	238	261	272	282	292
EBITDA (adj)	19	39	39	46	51	54
EBIT (adj)	11	26	22	27	32	35
EBIT (adj) margin	8.6%	10.8%	8.6%	10.0%	11.2%	11.9%
EPS (adj, EUR)	0.39	0.91	0.69	0.84	1.04	1.17
EPS (adj) growth	31.5%	133.9%	-24.2%	21.6%	24.3%	12.9%
DPS (ord, EUR)	0.30	0.36	0.40	0.42	0.47	0.52
EV/Sales	2.3	2.7	1.3	1.4	1.3	1.2
EV/EBIT (adj)	26.3	24.6	14.9	14.2	11.8	10.3
P/E (adj)	37.9	29.0	14.8	16.2	13.0	11.5
P/BV	3.7	4.8	1.8	2.3	2.0	1.8
Dividend yield (ord)	2.0%	1.4%	3.9%	3.1%	3.5%	3.8%
FCF Yield bef A&D, lease adj	6.0%	0.5%	9.4%	7.7%	8.3%	9.3%
Net debt	28	140	143	131	117	102
Net debt/EBITDA	1.5	3.9	3.9	2.8	2.3	1.9
ROIC after tax	8.6%	11.5%	7.0%	8.8%	10.6%	11.7%

Source: Company data and Nordea estimates

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