

Relais Group

Company report

05/05/2023



Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Korjaamoilta löytyi vipuvartta tulokseen” published on 05/05/2023 at 8:55 am.

**inde
res.**

Workshops leveraged for higher earnings

Relais' Q1 figures were well ahead of our expectations, especially in the commercial vehicle repair and maintenance business area. We have raised our cautious near-term organic growth estimates slightly, as the company's profitability level appears to be recovering faster than our previous expectations. This together with the Q1 result clearly raised our estimates for the current year, while we made more moderate changes to our projections for the coming years. Reflecting this and the moderate overall valuation picture, we raise our target price to EUR 15.5 (was EUR 13.5) and reiterate our Accumulate recommendation.

Q1 went better than we expected

In Q1, Relais achieved a net sales of EUR 69 million, showing 11% of growth year-on-year. This was well above our estimate of 3% growth in net sales. Acquisitions accounted for a slightly larger share of the net sales growth, while organically net sales grew by 5%. This was well above our expectations, as we expected a slight decline in organic net sales. For Q1, EBITA reached EUR 7.5 million, corresponding to a solid EBITA margin of 11%. Profitability in the quarter was supported by strong demand in the repair and maintenance business, where the company managed to keep mechanic working hours at a high level. This effectively trickles down to the bottom line through the profit lever of the business. Reflecting this, Q1 EBITA exceeded our estimate of EUR 5.4 million by a clear margin.

The margin is recovering faster than we previously expected

Based on the Q1 report, the near-term demand outlook for Relais is better than our previous estimates, as demand has shown its defensive nature. This will accelerate the improvement in profitability we anticipate for the coming years, and we expect a faster recovery from the softer 2022 level. Against this background, we have made upward revisions to our short-term estimates for the current year by raising our organic growth estimate. This effectively trickled down to our earnings estimates, which rose by 15% for EBITA this year. We expect Relais to be able to reach a healthy EBITA margin of 11% already in 2023 (cf. 2022: 8.8% and 2021: 10.8%). We also included the recent Adita acquisition in our estimates, but its impact was relatively small in line with the size of the acquired business. Our estimates for 2024-2025, which had already anticipated a clear upward trend in profitability, went up by a much more moderate 8-10%.

Multiples at reasonable levels

The adjusted P/E ratios in our updated estimates for 2023 and 2024 are 14x and 12x and the EV/EBITA ratios for the corresponding years are 13x and 12x. In our view, the valuation multiples for the coming years are moderate in absolute terms, taking into account the impact of IFRS liabilities on the balance sheet structure. This same valuation pattern is mirrored by the relative valuation, as the stock is valued at a discount of just over 5% to its industry peers, based on projections for the coming years. Similarly, the company is valued at a significant discount of 35% compared to a peer group of serial consolidators. Relative to the historical return on capital employed, we believe the discount relative to the median for serial consolidators is justified, but overall, we believe the relative valuation supports our view of upside potential.

Recommendation

Accumulate

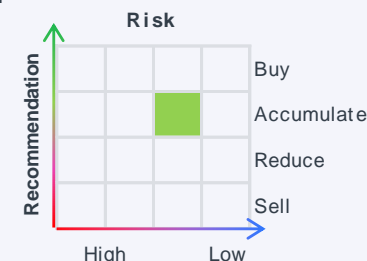
(previous Accumulate)

15.50 EUR

(previous EUR 13.50)

Share price:

14.00



Key figures

	2022	2023e	2024e	2025e
Revenue	260.7	277.5	289.6	298.3
growth-%	10%	6%	4%	3%
EBIT adj.	23.0	30.5	32.2	33.5
EBIT-% adj.	8.8 %	11.0 %	11.1 %	11.2 %
Net Income	10.1	14.8	16.8	18.3
EPS (adj.)	0.80	1.03	1.14	1.20
P/E (adj.)	12.7	13.6	12.3	11.7
P/B	1.8	2.3	2.1	1.9
Dividend yield-%	3.9 %	3.0 %	3.2 %	3.2 %
EV/EBIT (adj.)	14.3	12.7	11.6	10.8
EV/EBITDA	9.0	8.6	8.0	7.5
EV/S	1.3	1.4	1.3	1.2

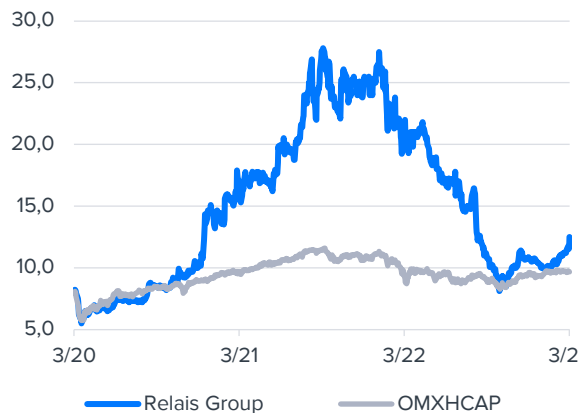
Source: Inderes

Guidance

(Unchanged)

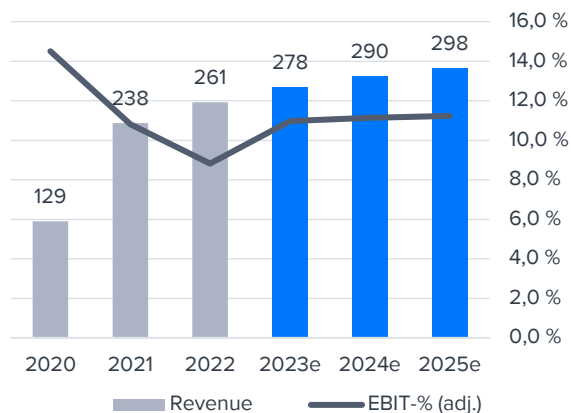
Relais does not provide numeric guidance for the financial year 2023.

Share price



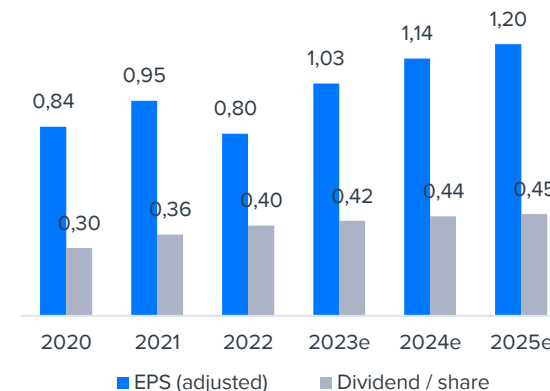
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- The stable and defensive market over time is huge relative to Relais' size class
- Plenty of room for consolidation on the fragmented vehicle aftermarket
- Serial consolidator business model's value creation potential and growth strategy is quite good
- Mutual sales synergies of the owned businesses support growth preconditions



Risk factors

- Working capital commitment in the wholesale business slows down cash flow
- Typical risks associated with acquisitions
- Long-term risks associated with limited pricing power and competitive situation
- Upward pressure on costs due to high inflation and a significant increase in the cost of financing

Valuation	2023e	2024e	2025e
Share price	14.0	14.0	14.0
Number of shares, millions	18.2	18.3	18.4
Market cap	255	255	255
EV	386	375	363
P/E (adj.)	13.6	12.3	11.7
P/E	17.2	15.2	14.0
P/B	2.3	2.1	1.9
P/S	0.9	0.9	0.9
EV/Sales	1.4	1.3	1.2
EV/EBITDA	8.6	8.0	7.5
EV/EBIT (adj.)	12.7	11.6	10.8
Payout ratio (%)	51.6 %	47.9 %	45.1 %
Dividend yield-%	3.0 %	3.2 %	3.2 %

Source: Inderes

Q1 figures were well above our expectations

Net sales showcasing defensive nature

Relais' Q1 net sales increased by 11% to EUR 69 million, which was significantly better than the EUR 64.2 million we expected. Overall, the group's organic net sales grew by 5% (8% excluding the impact of exchange rates), compared to our expectations of a 1% decline.

Organic net sales growth came mainly from the repair and maintenance business, where organic growth was 11% (14% at comparable exchange rates). The 6% inorganic growth in Q1 was driven by the acquisitions of Skeppsbrons and S-E-T.

The company comments that manufacturer-independent and price-competitive operator is an attractive choice for customers in the face of inflationary cost pressures. In addition, delays in the delivery of new vehicles have increased the need to maintain old equipment.

Overall, the report reinforced our confidence in the defensiveness of the business.

Service business improved profitability

Comparable EBITA for Q1 was EUR 7.6 million, corresponding to an EBITA margin of 11.0%. This was well above our forecast of EUR 5.4 million. In our view, the strong profitability was driven especially by strong organic growth in the repair and maintenance activities, leveraged by good demand and the resulting high "billing rate" of personnel.

Financial charges were higher than expected, mainly due to exchange rate differences, in particular related to the Swedish krona. The tax rate was also higher than our expectations and thus reported EPS exceeded our estimates by a smaller margin than EBIT.

Working capital turned into cash flow

Relais' Q1 cash flow from operations clearly improved year-on-year to EUR 11.0 million (Q1'22: 2.4 MEUR) and the free cash flow from operations after normal organic investments and IFRS16 amortizations reached EUR 9.6 million (Q1'22: 0.9 MEUR). The stronger cash flow performance was driven by the continued freeing up of working capital, which shows that the efficiency program launched last year is bearing fruit.

At the end of the reporting period, net debt (excluding IFRS16 liabilities) amounted to ca. EUR 84 million, or about 2.2x of the previous 12 months' EBITDA. We therefore consider the leverage to be at a reasonable level and well within the comfort zone. Thus, there's room for maneuver for likely future acquisitions.

Estimates MEUR / EUR	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	62.1	69.0	64.2				7%	278
EBITDA	8.9	11.1	9.2				21%	45.1
EBITA	5.7	7.5	5.4				40%	30.5
PTP	3.8	4.5	2.9				56%	19.3
EPS (adj.)	0.19	0.21	0.18				16%	1.03
Revenue growth-%	16.2 %	11.0 %	3.4 %				7.6 pp	6.4 %
EBITA-%	9.2 %	10.9 %	8.4 %				2.5 pp	11.0 %

Source: Inderes

Estimate revisions focus on the near term

Estimate revisions 2023e-2025e

- We made short-term estimate revisions, especially for Q2, as we now also expect organic growth in the next quarter to remain positive, as in Q1.
- Short-term net sales increases also effectively flowed through to the bottom lines, as we expect organic net sales growth to be stronger than in the past, especially in the repair and maintenance business.
- Reflecting the increased net sales estimate for the repair and maintenance business and the higher-than-expected Q1 level, our short-term sales margin estimate also went up.
- We also include in our estimates the recent Adita acquisition. As a distributor of Relais, its net sales won't not fully reflected in the growth of Relais' figures, and we have assumed internal sales of 20% of Adita's annual net sales.
- The key driver of this year's estimates, in addition to changes in short-term estimates, was better-than-expected Q1 figures

Operational earnings drivers 2023-2025e:

- We expect Relais' 2023 net sales to grow by just over 6% to EUR 278 million, where inorganic growth in line with acquisitions is a slightly bigger driver. However, we expect organic growth to remain slightly positive at just over 2% p.a.
- In our estimates, Relais' full-year 2023 EBITA margin will improve from a low of 8.8% in the previous year to a healthy 11.0%.
- In view of the faster-than-expected recovery in profitability already in 2023, we estimate that the company's organic earnings growth in the coming years will be driven by organic net sales growth, as we do not see significant profitability upside potential in the coming years given the cost structure and scalability of the business.
- We expect Relais to continue to make complementary acquisitions in the future, but we do not model inorganic growth in our estimates

Estimate revisions	2023ee	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	268	278	3%	279	290	4%	287	298	4%
EBITDA	41.5	45.1	9%	44.6	46.9	5%	44.6	48.3	8%
EBIT (exc. NRIs)	26.6	30.5	15%	29.7	32.2	8%	30.5	33.5	10%
EBIT	22.6	26.6	18%	25.7	28.2	10%	26.8	29.8	11%
PTP	16.5	19.3	18%	19.0	21.5	13%	20.4	23.5	15%
EPS (excl. NRIs)	0.94	1.03	9%	1.03	1.14	10%	1.07	1.20	12%
DPS	0.42	0.42	0%	0.44	0.44	0%	0.45	0.45	0%

Source: Inderes

Multiples at reasonable levels

Absolute valuation multiples

We forecast the 2023 EV/EBITA ratio to be 13x, while the corresponding P/E ratio is 14x. The corresponding valuation multiples for 2024 are 10x and 12x.

EV/EBITA multiples are boosted by the significant IFRS16 liabilities (Q1'23: 55.6 MEUR) recognized as a result of the IFRS transition, but on the other hand EBITA does not fully reflect their cost impact, as the interest component of rental costs is only reflected in financial expenses.

The EV/EBITA multiples for 2023 and 2024 adjusted for the impact of IFRS16 are 11x and 10x, respectively, according to our calculations. In our view, the value creation potential of Relais, in line with its business model, consists of two components: The earnings growth of existing businesses and the value creation potential of the acquisition strategy. Against this backdrop, we believe that the valuation multiples for the current year are moderate for Relais' core business but given the company's acquisition-driven growth and longer-term value creation opportunities, we consider the valuation multiple for the year to be moderate.

Relative valuation

We have assembled two peer groups for Relais, one of which consists of companies operating with a similar wholesale business model. The second peer group we have assembled from the so-called serial consolidators. The business models of the latter group rely in particular on value creation through active inorganic growth, based heavily on the successful allocation of capital over the long term. We believe it is relevant to compare Relais' valuation relative to these two peer groups, as we do not believe that a valuation

based on operational business alone gives the right value to the company's inorganic growth strategy.

Relais is valued at an average discount of 8% on key metrics relative to the median of key earnings-based valuation multiples for the next few years for the peer group of companies operating mainly in the international automotive aftermarket. This supports our view of moderate valuation in the same way as absolute valuation multiples.

The share is valued at a 37% discount compared to the peer group of so-called serial consolidators. In our view, Relais should be valued at a discount to its peer group of serial consolidators, as the peer group has experienced more rapid value creation in recent years, as can be seen in their higher median returns on capital. However, with a significantly wide valuation spread, we believe that the overall relative valuation supports our view that the stock has upside potential.

DCF model

Our cash flow model indicates a value of EUR 14.7, which also supports our view that the valuation has upside potential. We do not consider the cash flow model as a primary tool for valuing Relais, as it's not well suited to capture the value creation of the company's inorganic growth. However, the model is relatively well suited for valuing existing businesses. In our view, this valuation yardstick indicates that the valuation does not include any expectations of the value creation of future M&A transactions.

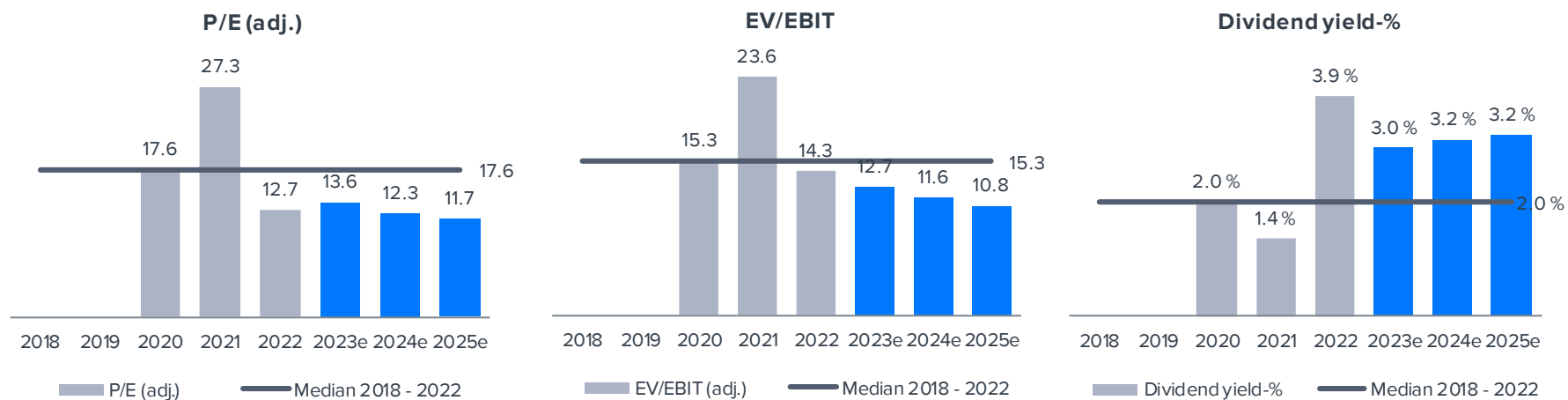
Valuation	2023e	2024e	2025e
Share price	14.0	14.0	14.0
Number of shares, millions	18.2	18.3	18.4
Market cap	255	255	255
EV	386	375	363
P/E (adj.)	13.6	12.3	11.7
P/E	17.2	15.2	14.0
P/B	2.3	2.1	1.9
P/S	0.9	0.9	0.9
EV/Sales	1.4	1.3	1.2
EV/EBITDA	8.6	8.0	7.5
EV/EBIT (adj.)	12.7	11.6	10.8
Payout ratio (%)	51.6 %	47.9 %	45.1 %
Dividend yield-%	3.0 %	3.2 %	3.2 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price			14.7	26.0	10.2	14.00	14.00	14.00	14.00
Number of shares, millions			17.4	17.9	18.1	18.2	18.3	18.4	18.4
Market cap			256	466	185	255	255	255	255
EV			285	608	328	386	375	363	350
P/E (adj.)			17.6	27.3	12.7	13.6	12.3	11.7	10.7
P/E			36.9	32.5	18.4	17.2	15.2	14.0	11.5
P/B			3.6	4.6	1.8	2.3	2.1	1.9	1.8
P/S			2.0	2.0	0.7	0.9	0.9	0.9	0.8
EV/Sales			2.2	2.6	1.3	1.4	1.3	1.2	1.1
EV/EBITDA			14.9	16.9	9.0	8.6	8.0	7.5	7.0
EV/EBIT (adj.)			15.3	23.6	14.3	12.7	11.6	10.8	9.9
Payout ratio (%)			75.3 %	44.9 %	72.0 %	51.6 %	47.9 %	45.1 %	37.7 %
Dividend yield-%			2.0 %	1.4 %	3.9 %	3.0 %	3.2 %	3.2 %	3.3 %

Source: Inderes



Peer group valuation 1/2

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Inter Cars SA	1568	2097	7.5	6.9	6.7	6.1	0.5	0.5	8.0	7.3	0.3	0.3	1.5
Advance Auto Parts Inc	6657	7656	9.4	8.9	7.0	6.6	0.7	0.7	11.7	10.9	4.9	5.0	2.3
Duell	53	102	17.0	10.7	11.3	7.8	0.8	0.7	18.1	7.6	0.9	3.2	1.2
Auto Partner SA	512	614	8.4	7.1	7.6	6.4	0.8	0.7	10.6	9.0	1.0	0.8	2.6
Genuine Parts Co	21864	24350	14.5	13.6	12.6	11.8	1.2	1.1	19.0	17.7	2.2	2.4	5.7
Uni-Select Inc	1367	1651	14.8	12.5	9.4	8.8	1.0	1.0	18.8	16.5			2.8
LKQ Corp	13815	16010	11.4	10.7	10.0	9.3	1.3	1.3	14.2	13.1	1.9	2.1	2.4
O'Reilly Automotive Inc	51450	55854	19.6	18.4	17.4	16.2	4.0	3.8	25.0	22.5			
Autozone Inc	44568	50667	16.4	15.3	14.3	13.4	3.2	3.0	20.8	18.3			
Bapcor Ltd	1332	1691	13.7	11.8	9.4	8.3	1.4	1.3	17.3	14.7	3.1	3.8	2.0
Mekonomen AB	612	1074	11.5	10.5	6.9	6.6	0.8	0.8	10.7	9.3	3.5	3.9	1.1
Relais Group (Inderes)	255	386	12.7	11.6	8.6	8.0	1.4	1.3	13.6	12.3	3.0	3.2	2.3
Average			13.1	11.5	10.2	9.2	1.4	1.3	15.8	13.3	2.2	2.7	2.4
Median			13.7	10.7	9.4	8.3	1.0	1.0	17.3	13.1	2.1	2.8	2.3
Diff-% to median			-7%	8%	-9%	-3%	39%	36%	-21%	-6%	45%	13%	-2%

Source: Refinitiv / Inderes

Peer group valuation 2/2

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2023e
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	
Indutrade AB	8018	8848	25.1	25.0	18.5	18.2	3.3	3.2	32.6	31.9	1.2	1.3	6.2
Bergman & Beving AB	365	489	16.5	15.3	9.9	9.3	1.2	1.1	17.7	16.8	2.4	2.5	1.9
Momentum Group AB	369	388	21.0	20.3	15.3	14.8	2.2	2.2	23.7	22.8	1.4	1.6	6.9
Bufab AB (publ)	1177	1489	17.2	16.1	13.6	13.3	1.9	1.9	21.8	20.1	1.4	1.5	3.8
Christian Berner Tech Trade AB	38	54	10.2	9.6	6.7	6.0	0.6	0.6	12.0	11.1	3.4	3.6	2.0
Addtech AB	5040	5445	29.6	29.6	22.4	22.2	3.3	3.2	39.6	40.7	0.9	1.0	10.3
Beijer Ref AB (publ)	7555	8191	27.4	24.5	21.6	19.2	2.8	2.6	37.9	33.0	0.9	1.0	3.9
Beijer Alma AB	1259	1472	17.8	16.6	13.1	12.5	2.5	2.4	23.7	20.8	1.9	2.2	3.6
Lifco AB (publ)	8744	9411	24.2	24.3	19.2	19.3	4.5	4.4	34.6	34.2	0.9	0.9	6.8
Lagercrantz Group AB	2680	2907	31.1	29.6	23.0	21.7	4.6	4.2	35.8	34.8	1.2	1.3	9.7
Volati Ab	818	1021	16.8	15.4	11.1	10.3	1.4	2.0	20.6	18.0	1.8	1.8	4.4
Boreo	106	156	16.8	14.3	14.3	11.1	0.8	0.8	22.1	17.8	1.1	1.2	2.9
AddLife AB	1316	1776	28.4	26.3	14.0	13.6	2.1	2.0	37.8	33.8	1.0	1.2	2.9
Addnode Group AB	1549	1591	32.8	28.2	20.2	18.5	2.5	2.4	37.2	40.4	0.8	0.9	7.8
Instalco AB	1215	1454	18.6	16.1	12.7	11.5	1.2	1.2	21.8	18.2	1.5	1.6	4.0
Seafire AB	69	65	8.4	6.5	5.1	4.2	0.6	0.6	27.2	11.1			0.9
Sdiptech AB	706	706	11.0	9.8	8.4	7.5	1.9	1.7	18.0	15.3			2.2
Fasadgruppen Group AB	373	485	11.8	11.3	9.3	9.0	1.0	1.0	13.1	12.1	2.1	2.3	1.8
Relais Group (Inderes)	255	386	12.7	11.6	8.6	8.0	1.4	1.3	13.6	12.3	3.0	3.2	2.3
Average			20.5	19.0	14.5	13.6	2.2	2.1	26.9	24.4	1.5	1.6	4.6
Median			18.6	16.6	14.0	13.3	2.1	2.0	23.7	20.8	1.2	1.3	3.8
Diff-% to median			-32%	-30%	-39%	-40%	-35%	-35%	-43%	-41%	150%	139%	-40%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	237.8	62.1	58.6	64.8	75.2	261	69.0	63.5	67.4	77.6	278	290	298	307
Relais Group	238	62.1	58.6	64.8	75.2	261	69.0	63.5	67.4	77.6	278	290	298	307
EBITDA	36.0	8.9	6.6	11.1	10.1	36.6	11.1	9.6	12.0	12.4	45.1	46.9	48.3	50.0
Depreciation	-13.0	-3.9	-4.0	-4.3	-4.8	-16.9	-4.5	-4.7	-4.7	-4.7	-18.6	-18.7	-18.5	-16.2
EBIT (excl. NRI)	25.7	5.7	3.4	7.7	6.2	23.0	7.5	5.9	8.3	8.7	30.5	32.2	33.5	35.4
EBIT	23.0	5.0	2.6	6.8	5.3	19.6	6.6	4.9	7.3	7.7	26.6	28.2	29.8	33.8
Net financial items	-4.6	-1.2	-1.9	-1.7	-1.6	-6.5	-2.1	-1.7	-1.7	-1.7	-7.2	-6.7	-6.3	-5.0
PTP	18.5	3.8	0.7	5.1	3.7	13.2	4.5	3.2	5.6	6.0	19.3	21.5	23.5	28.8
Taxes	-4.1	-1.1	-0.7	-1.4	0.1	-3.1	-1.6	-0.6	-1.1	-1.2	-4.5	-4.7	-5.2	-6.3
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	0.0	0.0
Net earnings	14.4	2.7	0.0	3.7	3.7	10.1	2.9	2.6	4.5	4.8	14.8	16.8	18.3	22.5
EPS (adj.)	0.95	0.19	0.05	0.25	0.32	0.80	0.21	0.20	0.30	0.32	1.03	1.14	1.20	1.31
EPS (rep.)	0.80	0.15	0.00	0.20	0.21	0.56	0.16	0.14	0.25	0.26	0.81	0.92	1.00	1.22

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	84.5 %	16.2 %	12.5 %	10.3 %	2.3 %	9.6 %	11.0 %	8.4 %	4.1 %	3.2 %	6.4 %	4.4 %	3.0 %	3.0 %
Adjusted EBIT growth-%	37.5 %	-6.3 %	-15.0 %	1.1 %	-23.0 %	-10.7 %	31.0 %	74.2 %	8.5 %	41.0 %	32.5 %	5.9 %	3.9 %	5.7 %
EBITDA-%	15.1 %	14.3 %	11.2 %	17.1 %	13.4 %	14.0 %	16.1 %	15.1 %	17.8 %	16.0 %	16.3 %	16.2 %	16.2 %	16.3 %
Adjusted EBIT-%	10.8 %	9.2 %	5.8 %	11.8 %	8.2 %	8.8 %	10.9 %	9.3 %	12.4 %	11.2 %	11.0 %	11.1 %	11.2 %	11.5 %
Net earnings-%	6.0 %	4.3 %	0.0 %	5.7 %	5.0 %	3.9 %	4.3 %	4.0 %	6.7 %	6.2 %	5.3 %	5.8 %	6.1 %	7.3 %

Source: Inderes

NB! EBIT (excl. NRI) is company's reported EBITA

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	189	191	186	181	176
Goodwill	114	118	118	118	118
Intangible assets	15.1	15.0	11.1	7.1	3.2
Tangible assets	59.0	56.8	56.4	55.1	53.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.1	0.1	0.1	0.1	0.1
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.8	0.6	0.6	0.6	0.6
Current assets	119	119	123	129	128
Inventories	73.4	67.8	69.4	73.3	76.7
Other current assets	0.0	4.5	4.5	4.5	4.5
Receivables	33.8	32.8	35.0	36.5	37.6
Cash and equivalents	11.8	13.5	13.8	14.4	8.9
Balance sheet total	308	309	309	310	304

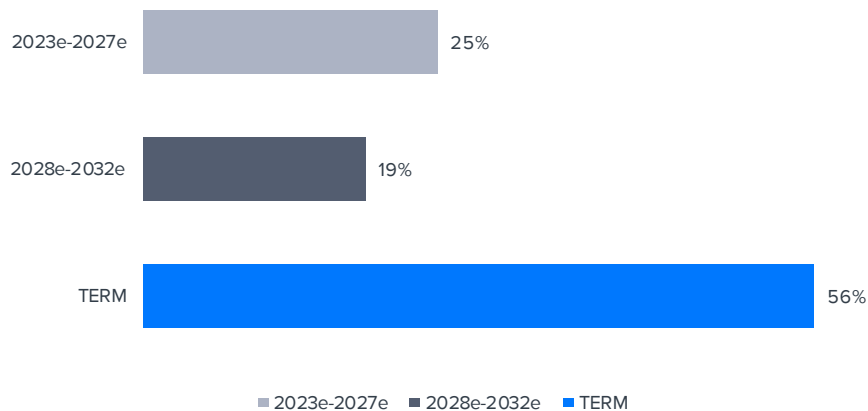
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	102	104	112	121	131
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	34.2	35.7	43.3	52.4	62.7
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	67.7	68.2	68.2	68.2	68.2
Minorities	0.3	0.0	0.0	0.0	0.0
Non-current liabilities	143	144	137	127	107
Deferred tax liabilities	6.2	5.8	5.8	5.8	5.8
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	135	137	130	120	100.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.3	1.1	1.1	1.1	1.1
Current liabilities	62.8	61.0	60.5	62.2	65.8
Short term debt	16.7	19.1	15.0	15.0	17.4
Payables	46.1	35.3	38.9	40.5	41.8
Other current liabilities	0.0	6.6	6.6	6.6	6.6
Balance sheet total	308	309	309	310	304

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	9.6 %	6.4 %	4.4 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.0 %	2.0 %
EBIT-%	7.5 %	9.6 %	9.8 %	10.0 %	11.0 %	11.5 %	11.5 %	11.5 %	11.5 %	11.0 %	11.0 %	11.0 %
EBIT (operating profit)	19.6	26.6	28.2	29.8	33.8	36.4	37.5	38.6	39.8	39.0	39.8	
+ Depreciation	16.9	18.6	18.7	18.5	16.2	15.3	13.9	13.8	13.8	13.8	13.9	
- Paid taxes	-3.3	-4.5	-4.7	-5.2	-6.3	-7.0	-7.3	-7.6	-7.8	-7.7	-7.8	
- Tax, financial expenses	-1.5	-1.7	-1.5	-1.4	-1.1	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-2.1	-0.2	-3.7	-3.3	-3.1	-2.3	-2.3	-2.4	-2.5	-2.1	-1.7	
Operating cash flow	29.6	38.7	37.0	38.5	39.5	41.5	40.8	41.5	42.3	42.1	43.1	
+ Change in other long-term liabilities	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-18.3	-14.3	-13.4	-13.4	-13.5	-13.5	-13.5	-13.6	-14.0	-14.0	-14.1	
Free operating cash flow	10	24.4	23.6	25.1	26.0	28.0	27.3	27.9	28.3	28.1	29.0	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	10.2	24.4	23.6	25.1	26.0	28.0	27.3	27.9	28.3	28.1	29.0	495
Discounted FCFF		23.2	20.8	20.5	19.6	19.6	17.7	16.8	15.7	14.5	13.8	236
Sum of FCFF present value		418	395	374	354	334	314	297	280	264	250	236
Enterprise value DCF		418										
- Interesting bearing debt		-156										
+ Cash and cash equivalents		13.5										
-Minorities		0.0										
-Dividend/capital return		-7.3										
Equity value DCF		268										
Equity value DCF per share		14.7										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	4.5 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	128.9	237.8	260.7	277.5	289.6	EPS (reported)	0.40	0.80	0.56	0.81	0.92
EBITDA	19.1	36.0	36.6	45.1	46.9	EPS (adj.)	0.84	0.95	0.80	1.03	1.14
EBIT	11.1	23.0	19.6	26.6	28.2	OCF / share	1.17	0.94	1.64	2.13	2.02
PTP	10.4	18.5	13.2	19.3	21.5	FCF / share	0.46	-6.88	0.56	1.34	1.29
Net Income	6.9	14.4	10.1	14.8	16.8	Book value / share	4.13	5.68	5.73	6.13	6.60
Extraordinary items	-7.6	-2.7	-3.3	-3.9	-4.0	Dividend / share	0.30	0.36	0.40	0.42	0.44
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	154.6	308.4	309.2	308.9	309.7	Revenue growth-%	30%	84%	10%	6%	4%
Equity capital	72.3	102.3	104.0	111.5	120.7	EBITDA growth-%	43%	88%	2%	23%	4%
Goodwill	58.2	114.5	118.2	118.2	118.2	EBIT (adj.) growth-%	138%	38%	-11%	33%	6%
Net debt	28.3	139.7	142.9	131.2	120.6	EPS (adj.) growth-%	298%	14%	-15%	28%	11%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	14.8 %	15.1 %	14.0 %	16.3 %	16.2 %
EBITDA	19.1	36.0	36.6	45.1	46.9	EBIT (adj.)-%	14.5 %	10.8 %	8.8 %	11.0 %	11.1 %
Change in working capital	1.3	-17.0	-2.1	-0.2	-3.7	EBIT-%	8.6 %	9.7 %	7.5 %	9.6 %	9.8 %
Operating cash flow	20.3	16.8	29.6	38.7	37.0	ROE-%	10.2 %	16.5 %	9.8 %	13.8 %	14.5 %
CAPEX	-12.4	-142.2	-18.3	-14.3	-13.4	ROI-%	8.4 %	11.8 %	7.6 %	10.3 %	11.0 %
Free cash flow	8.1	-123.5	10.2	24.4	23.6	Equity ratio	46.7 %	33.2 %	33.6 %	36.1 %	39.0 %
						Gearing	39.2 %	136.5 %	137.4 %	117.7 %	99.9 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	2.2	2.6	1.3	1.4	1.3						
EV/EBITDA (adj.)	14.9	16.9	9.0	8.6	8.0						
EV/EBIT (adj.)	15.3	23.6	14.3	12.7	11.6						
P/E (adj.)	17.6	27.3	12.7	13.6	12.3						
P/B	3.6	4.6	1.8	2.3	2.1						
Dividend-%	2.0 %	1.4 %	3.9 %	3.0 %	3.2 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
11/5/2021	Reduce	26.00 €	25.20 €
3/4/2022	Accumulate	24.00 €	22.00 €
	Analyst changed		
4/4/2022	Accumulate	24.00 €	21.00 €
5/13/2022	Accumulate	20.00 €	18.00 €
8/9/2022	Accumulate	14.50 €	13.25 €
8/12/2022	Accumulate	14.00 €	12.20 €
11/9/2022	Buy	13.00 €	10.45 €
11/11/2022	Buy	13.50 €	10.95 €
3/1/2023	Accumulate	13.50 €	11.50 €
3/3/2023	Accumulate	13.50 €	12.50 €



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**