

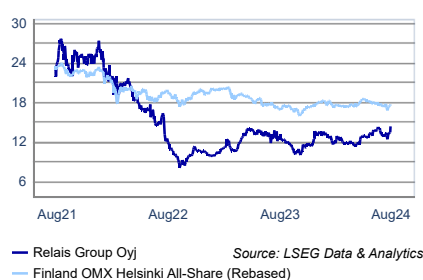
Relais Group Oyj

Consumer Goods
Finland

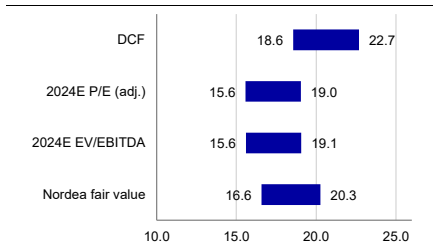
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 14.45
Free float	36%
Market cap. (bn)	EUR 0.27/EUR 0.27
Website	www.relais.fi
Next report date	07 Nov 2024

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2024E	2025E	2026E
Sales	1%	1%	1%
EBIT (adj)	5%	4%	4%

Source: Nordea estimates

Nordea IB & Equity - Analysts

Joni Sandvall
AnalystSanna Perälä
Analyst

Strong Q2 on all fronts

Relais reported Q2 adjusted EBITA of EUR 7.3m, 13% above LSEG Data & Analytics consensus. Organic growth was 8% y/y, supported by double-digit growth in Scandinavia. Relais has continued to grow among bigger fleet customers, which we expect to continue during H2. Seasonality of Lighting sales has improved, as the company has been able to increase its export sales. The outlook remains stable for H2, while the M&A pipeline appears to be improving. We derive a slightly higher DCF- and multiples-based fair value range of EUR 16.6-20.3 (15.8-19.3).

Gross profit improved clearly in Q2

Q2 net sales of EUR 74m were up 16% y/y (+8% on an organic basis), 3% above LSEG Data & Analytics consensus. Adjusted EBITA of EUR 7.3m came in 13% above consensus and was up 52% y/y. Growth was driven primarily by Scandinavia, where demand was especially good in Sweden. The company was able to outgrow the market in Sweden, while growth was broadly in line with the market in Finland. All product lines grew y/y, while we note that within Lighting the company continues to have strong export sales momentum with Strands. In Repair and Maintenance, Relais has continued to grow among bigger fleet customers, which we expect to support growth in H2. Cash flows remained strong despite higher inventories, taking leverage down to 3x (3.2x in Q1) despite dividend payments. The company noted a stable outlook for H2, while it seems the M&A pipeline is improving.

We raise 2024E-26E adjusted EBITA by 4%

We raise the 2024E-26E top line by 1% and adjusted EBITA by 4%. Relais has been able to push through price increases and improve its sourcing, leading to sustainably higher gross margins, we argue. For 2024E-26E, we are 3-5% ahead of consensus on adjusted EBITA.

2025 targets require a larger acquisition

Relais targets EUR 50m in pro forma EBITA by 2025. The company is clearly aiming for additional bolt-on acquisitions, while a larger acquisition is likely needed to reach the target. On an organic basis, we expect Relais to reach EUR 41m in adjusted EBITA for 2025 and EUR 45m for 2026. Based on our M&A scenario, the company could reach its pro forma target, while leverage could increase to around 3.5x at year-end 2025E.

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023	2024E	2025E	2026E
Total revenue	129	238	261	284	324	340	352
EBITDA (adj)	19	39	39	44	52	56	61
EBIT (adj)	11	26	22	25	34	38	42
EBIT (adj) margin	8.6%	10.8%	8.6%	9.0%	10.4%	11.1%	12.0%
EPS (adj, EUR)	0.39	0.91	0.69	0.75	1.02	1.26	1.49
EPS (adj) growth	31.5%	133.9%	-24.2%	8.8%	36.2%	24.0%	17.7%
DPS (ord, EUR)	0.30	0.36	0.40	0.44	0.48	0.52	0.60
EV/Sales	2.3	2.7	1.3	1.4	1.3	1.2	1.1
EV/EBIT (adj)	26.3	24.6	14.9	15.8	12.6	10.8	9.3
P/E (adj)	37.9	29.0	14.8	18.1	14.2	11.4	9.7
P/BV	3.7	4.8	1.8	2.3	2.2	2.0	1.7
Dividend yield (ord)	2.0%	1.4%	3.9%	3.3%	3.3%	3.6%	4.2%
FCF Yield bef A&D, lease	6.0%	0.5%	7.5%	5.4%	4.3%	7.9%	9.8%
Net debt	28	140	143	149	151	138	121
Net debt/EBITDA	1.5	3.9	3.9	3.4	2.9	2.5	2.0
ROIC after tax	8.6%	11.5%	7.0%	7.7%	9.9%	11.2%	12.4%

Source: Company data and Nordea estimates

Q2 results and estimate revisions

Relais reported Q2 adjusted EBITA of EUR 7.3m, 13% above LSEG Data & Analytics consensus. Organic sales growth was 8% y/y in Q2, clearly above our expectation of 4%. Net sales were EUR 74.3m (up 16% y/y), 3% above consensus. Q2 benefitted from the good market demand, acquisitions and successful commercial activities. Equipment sales missed our estimate, while all other product groups were ahead. Sales increased 23% y/y (+12% organic growth) in Scandinavia and 8% y/y (+3% organic growth) in Finland-Baltics. The gross margin came in 180bp above consensus and was up 200bp y/y, to 47.7%, supported by price increases, efficiency of workshops and effective purchasing. EPS of EUR 0.18 came in clearly above consensus of EUR 0.13. Operating cash flow was EUR 9.5m (EUR 6.7m a year ago), while leverage decreased to 3.0x from 3.2x at the end of Q1.

Q2 net sales were 3% above consensus...

Q2 beats on all fronts – growth from large fleet customers

- Q2 net sales were EUR 74.3m, 3% above LSEG Data & Analytics consensus. Organic growth was strong at 8% y/y in Q2 (+12% in Q1), clearly above our expectation of 4%. Equipment missed our estimate, while all other product groups beat our sales forecasts. We note the continued positive demand trend among large fleet customers, which likely bodes well for the future, as we believe these customer relationships are sticky in nature.

...while the adjusted EBITA beat was 13%

- Adjusted EBITA of EUR 7.3m came in 13% above consensus, at EUR 6.5m. Q2's EBITA margin of 9.9% was 80bp above consensus, supported by a 47.7% gross margin (180bp above consensus).
- EPS of EUR 0.18 came in clearly above consensus of EUR 0.13. Net financial expenses were slightly below our estimate, whereas the tax rate of 32.6% was above our estimate of 21%.
- Operating cash flow of EUR 9.5m was up from EUR 6.7m a year ago. Inventories were up 15% y/y, driven by acquisitions and growth investments in Lighting products. Leverage was 3.0x, down from 3.2x at the end of Q1.
- We note the company's comments about several interesting M&A targets with a good strategic fit. Hence, we expect more bolt-on acquisitions for 2024, although larger acquisitions will likely require equity-like financing due to the current leverage level.

Q2 DEVIATION TABLE (EURm; EPS IN EUR)

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q2 2024	Q2 2024E	vs. actual		Q2 2024E	vs. actual		Q1 2024	q/q	Q2 2023	y/y
Sales	74.3	72.5	2	2%	72.0	2	3%	82.8	-10%	64.1	16%
Gross profit	35.4	33.3	2.1	6%	33	2.4	7%	38.2	-7%	29.3	
Gross margin	47.7%	46.0%	1.7pp		45.8%	1.8pp		46.2%	1.5pp	45.7%	2.0pp
Adj. EBITA	7.3	6.5	0.9	13%	6.5	0.8	13%	9.7	-24%	4.8	52%
Adj. EBITA margin	9.9%	8.9%	1.0pp		9.0%	0.8pp		11.7%	-1.8pp	7.5%	2.3pp
EBITA	7.3	6.5	0.8	13%	6.5	0.8	12%	9.7	-24%	4.8	52%
EBITA margin	9.8%	8.9%	0.9pp		9.0%	0.8pp		11.7%	-1.9pp	7.5%	2.3pp
EBIT	6.6	5.7	0.9	15%	5.0	1.6	32%	9.0	-27%	4.0	66%
EBIT margin	8.9%	7.9%	1.0pp		6.9%	1.9pp		10.8%	-2.0pp	6.2%	2.7pp
PTP	4.9	3.9	1.0	24%	3.0	1.9	62%	5.8	-17%	1.1	329%
EPS	0.18	0.15		17%	0.13	0.05	38%	0.21		0.01	
Sales split											
Equipment	13.1	16.1	-3.1	-19%				17.2	-24%	9.8	34%
Lighting	11.2	9.4	1.9	20%				14.8	-24%	9.9	14%
Spare parts	23.6	22.5	1.1	5%				24.4	-3%	20.9	13%
Repair and maintenance	25.6	24.5	1.1	4%				25.9	-1%	22.8	12%
Other	0.8	0.0	0.8					0.5	59%	0.8	0%

Source: Company data, LSEG Data & Analytics and Nordea estimates

Estimate revisions

Following the Q2 report, we raise our 2024E-26E top line by 1% and adjusted EBITA by 4%. Our estimate revisions stem mainly from higher gross margin assumptions, as it seems the company is able to benefit from sourcing synergies and a positive FX impact on purchasing.

ESTIMATE REVISIONS (EURm; EPS AND DPS IN EUR)

EURm	New estimates				Old estimates				Difference %			
	Q3 2024E	2024E	2025E	2026E	Q3 2024E	2024E	2025E	2026E	Q3 2024E	2024E	2025E	2026E
Sales	78.1	324	340	352	76.2	319	336	347	3%	1%	1%	1%
Gross profit	37.4	152	160	167	35.4	147	156	162	6%	3%	3%	3%
Gross margin	47.8%	46.9%	47.2%	47.4%	46.4%	46.1%	46.5%	46.7%	1.4pp	0.7pp	0.6pp	0.6pp
Adj. EBITA	10.1	36.6	40.9	45.2	9.7	35.2	39.4	43.7	4%	4%	4%	4%
Adj. EBITA margin	12.9%	11.3%	12.0%	12.8%	12.7%	11.0%	11.7%	12.6%	0.2pp	0.3pp	0.3pp	0.3pp
EBITA	10.1	36.5	40.9	45.2	9.7	35.2	39.4	43.7	4%	4%	4%	4%
EBITA margin	12.9%	11.3%	12.0%	12.8%	12.7%	11.0%	11.7%	12.6%	0.2pp	0.3pp	0.3pp	0.3pp
EBIT	9.4	33.6	37.8	42.1	8.9	32.1	36.3	40.5	5%	4%	4%	4%
EBIT margin	12.0%	10.4%	11.1%	12.0%	11.7%	10.1%	10.8%	11.6%	0.3pp	0.3pp	0.3pp	0.3pp
PTP	7.7	25.4	30.8	36.2	7.2	23.9	29.4	34.7	6%	6%	5%	4%
EPS	0.31	1.02	1.26	1.49	0.29	0.94	1.20	1.42	7%	9%	5%	4%
DPS		0.48	0.52	0.60		0.48	0.52	0.60		0%	0%	0%

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 an unchanged fair valuation range of EUR 16.6–20.3 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		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Peer group												
Advance Auto Parts Inc	0.4x	0.4x	0.4x	7.3x	6.8x	6.4x	13.5x	12.1x	11.2x	16.6	13.9	12.1
Auto Partner Sa	0.8x	0.6x	0.5x	8.4x	6.8x	5.6x	9.6x	7.8x	6.4x	10.9	8.8	7.7
Autozone Inc	3.4x	3.3x	3.1x	14.3x	13.9x	13.1x	16.3x	15.9x	15.0x	20.9	19.4	17.4
Inter Cars Sa	0.5x	0.4x	0.4x	7.3x	6.5x	5.9x	8.4x	7.5x	6.9x	9.0	7.9	7.1
Camping World Holdings Inc	0.8x	0.7x		26.4x	13.8x		28.7x	13.7x			17.3	
Dometic Group Ab (Publ)	1.4x	1.3x	1.3x	8.7x	7.9x	7.3x	12.4x	10.8x	9.7x	14.6	10.9	9.2
Halfords Group Plc	0.4x	0.4x	0.3x	3.4x	3.7x	3.3x	10.9x	14.7x	11.3x	10.9	14.7	9.9
Meko Ab	0.6x	0.6x	0.6x	5.9x	5.4x	5.0x	11.2x	9.6x	8.0x	8.8	7.8	6.4
O'Reilly Automotive Inc	4.2x	4.0x	3.7x	18.6x	17.6x	16.4x	21.2x	19.8x	18.3x	27.2	24.4	21.6
Thule Group Ab	3.4x	3.1x	2.9x	16.6x	14.5x	13.2x	19.4x	16.6x	14.9x	25.1	21.3	19.0
Peer group average	1.6x	1.5x	1.5x	11.7x	9.7x	8.5x	15.2x	12.8x	11.3x	16.0	14.6	12.3
Peer group median	0.8x	0.7x	0.6x	8.6x	7.4x	6.4x	13.0x	12.9x	11.2x	14.6x	14.3x	9.9
US peers' average	2.2x	2.1x	2.4x	16.7x	13.0x	12.0x	19.9x	15.4x	14.8x	21.6x	18.7x	17.0x
European peers' average	1.2x	1.1x	1.0x	8.4x	7.5x	6.7x	12.0x	11.2x	9.5x	13.2x	11.9x	9.9x
Relais (Nordea)	1.2x	1.1x	1.0x	7.7x	6.8x	6.0x	11.8x	10.1x	8.7x	13.3x	10.7x	9.1x
difference to median	57%	63%	89%	-10%	-7%	-6%	-9%	-21%	-22%	-9%	-25%	-8%
Compounders												
Addtech Ab	4.5	4.1	3.9	27.7	24.8	23.3	37.1	32.4	30.0	54.2	46.1	41.2
Bergman & Beving Ab	2.0	1.9	1.8	14.3	12.8	12.2	25.3	21.9	20.5	41.7	30.6	27.5
Beijer Alma Ab	1.9	1.8	1.7	10.3	9.4	9.0	14.2	12.4	11.7	20.2	16.5	13.7
Beijer Ref Ab (Publ)	2.2	2.0	1.9	17.4	15.6	14.3	21.8	19.4	17.8	37.0	30.8	27.6
Bufab Ab (Publ)	2.3	2.2	2.1	16.5	15.4	14.4	20.1	18.5	17.0	27.0	22.5	19.9
Indutrade Ab	3.7	3.5	3.2	21.7	20.0	18.8	29.4	26.7	24.8	37.8	33.2	30.0
Lagercrantz Group Ab	4.6	4.0	3.8	21.8	19.4	18.0	29.6	26.1	24.1	40.5	35.7	32.1
Lifco Ab (Publ)	5.4	5.1	4.7	21.4	19.5	18.0	28.4	25.6	23.4	43.0	38.9	35.8
Sdiptech Ab (Publ)	2.8	2.6	2.3	12.4	11.2	10.2	17.0	15.1	13.7	24.4	20.3	16.9
Volati Ab	1.6	1.4	1.4	13.4	11.6	10.9	19.5	16.2	14.3	25.1	18.6	16.0
Compounders average	3.1	2.9	2.7	17.7	16.0	14.9	24.2	21.4	19.7	35.1	29.3	26.1
Compounders median	2.6	2.4	2.2	16.9	15.5	14.4	23.5	20.7	19.1	37.4	30.7	27.5
Total average	2.3	2.2	2.1	14.7	12.8	11.9	19.7	17.1	15.7	26.0	22.0	19.5
Total median	2.1	2.0	1.9	14.3	13.3	12.2	19.5	16.1	14.9	25.1	19.8	17.4
Total average (70%/30%)	2.0	1.9	1.8	13.5	11.6	10.4	17.9	15.4	13.8	21.7	19.0	16.4
Total median (70%/30%)	1.3	1.2	1.1	11.1	9.8	8.8	16.1	15.2	13.6	21.5	19.2	15.2
Relais (Nordea)	1.2	1.1	1.0	7.7	6.8	6.0	11.8	10.1	8.7	13.3	10.7	9.1
difference to weighted median	-7%	-7%	-2%	-31%	-30%	-31%	-27%	-33%	-36%	-38%	-44%	-40%

Source: LSEG Data & Analytics (as of 14 August 2024) and Nordea estimates

EV/EBITDA-based valuation of EUR 15.6-19.1 per share

Based on our EUR 52m EBITDA estimate for 2024 and an accepted valuation multiple range of 8.4-9.6x (midpoint: 9x), we arrive at a fair value range of EUR 15.6-19.1 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 11.1x for 2024E.

P/E-based valuation of EUR 15.6-19.0 per share

Using a EUR 1.02 EPS estimate for 2024, we arrive at a fair value range of EUR 15.6-19.0 per share using P/E multiples of 15.3-18.7x (midpoint: 17x). 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 21.5x for 2024E.

DCF-based valuation of EUR 18.6-22.7 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 2024-29, 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 60%.

WACC COMPONENTS	
WACC components	
Risk-free interest rate	3.5%
Market risk premium	4.0%
Forward looking asset beta	nm
Beta debt	0.1
Forward looking equity beta	1.6-2.1
Cost of equity	9.8-11.8%
Cost of debt	4.0%
Tax-rate used in WACC	21%
Equity weight	60%
WACC	7.1-8.4%

Source: Nordea estimates

DCF VALUATION (EUR)		
DCF value	Value	Per share
NPV FCFF	478-557	25.1-29.3
(Net debt)	-149	-7.9
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	24	1.3
DCF Value	353-431	18.6-22.7

Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2024-29	2030-34	2035-39	2040-44	2045-49	2050-54	Sust.
Sales growth, CAGR	3.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EBIT-margin, excluding associates	12.1%	13.0%	13.0%	13.0%	13.0%	13.0%	4.8%
Capex/depreciation, x	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Capex/sales	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
NWC/sales	24%	24%	24%	24%	24%	24%	24%
FCFF, CAGR	24.9%	2.3%	2.5%	2.5%	2.5%	-20.0%	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 ± 0.5 pp for WACC, ± 0.5 pp for sales growth and ± 0.5 pp for the EBIT margin, our DCF model yields a value range of EUR 17.8-24.0 per share.

SENSITIVITY OF OUR DCF MODEL (EUR/SHARE)

- A +/-1pp sales growth change translates into a change of +9/-7% in the fair value

		WACC				
		6.7%	7.2%	7.7%	8.2%	8.7%
EBIT margin change	+1.0pp	28.1	25.2	22.7	20.5	18.6
	+0.5pp	26.8	24.0	21.6	19.6	17.8
	-0.5pp	25.4	22.8	20.6	18.7	17.0
	-1.0pp	24.1	21.7	19.6	17.8	16.2

- A +/- 1pp EBIT margin change translates into a change of +/-10% in the fair value

		WACC				
		6.7%	7.2%	7.7%	8.2%	8.7%
Sales growth change	+1.0pp	27.8	24.9	22.4	20.2	18.3
	+0.5pp	26.6	23.8	21.5	19.4	17.7
	-0.5pp	25.4	22.8	20.6	18.7	17.0
	-1.0pp	24.3	21.9	19.8	18.0	16.4

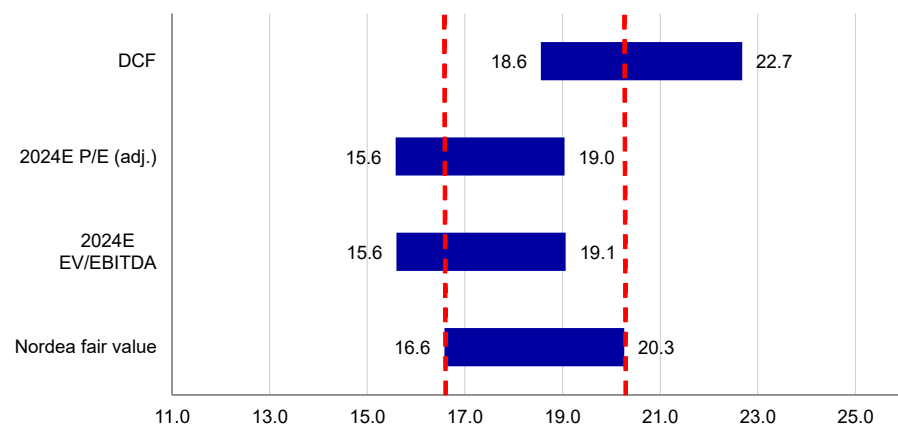
		Sales growth change				
		-1.0pp	-0.5pp	+0.5pp	+1.0pp	
EBIT margin change	+1.0pp	20.9	21.8	22.7	23.7	24.7
	+0.5pp	20.0	20.8	21.6	22.6	23.6
	-0.5pp	19.1	19.8	20.6	21.5	22.4
	-1.0pp	18.2	18.9	19.6	20.4	21.2

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 16.6-20.3 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; EPS IN EUR)

EURm	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24E	Q4 24E
Net sales	62	59	65	75	69	64	70	81	83	74	78	89
Sales growth	16%	13%	10%	2%	11%	9%	8%	8%	20%	16%	11%	9%
of which organic	-9%	-2%	0%	-5%	5%	10%	5%	1%	12%	8%	4%	5%
of which FX	-2%	-2%	-2%	-2%	-3%	-5%	-5%	-2%	0%	0%	1%	0%
of which structural	27%	16%	12%	10%	9%	4%	9%	9%	9%	11%	6%	4%
Other operating income	0.7	0.8	0.6	0.7	0.6	0.7	0.5	0.8	0.6	1.1	0.7	0.7
Materials and services	-34	-32	-36	-42	-37	-35	-38	-46	-45	-39	-41	-48
Gross profit	28.1	26.6	28.8	33.7	32.1	29.3	32.3	35.3	38.2	35.4	37.4	40.7
Gross margin %	45.3%	45.4%	44.4%	44.8%	46.5%	45.7%	45.9%	43.6%	46.2%	47.7%	47.8%	46.0%
Staff costs	-14	-14	-12	-15	-14	-15	-14	-16	-17	-17	-16	-18
Other operating costs	-6	-6	-6	-10	-7	-7	-7	-8	-8	-8	-8	-10
EBITDA	8.9	6.6	11.1	10.1	11.1	8.6	12.1	11.7	13.5	11.1	13.9	13.2
EBITDA margin %	14.3%	11.2%	17.1%	13.4%	16.1%	13.4%	17.3%	14.5%	16.3%	14.9%	17.8%	15.0%
D&A	-3.9	-4.0	-4.3	-4.8	-4.5	-4.6	-4.6	-4.8	-4.5	-4.5	-4.5	-4.6
of which depreciations	-3.1	-3.2	-3.4	-3.9	-3.6	-3.8	-3.7	-3.9	-3.8	-3.8	-3.8	-3.8
of which amortizations	-0.8	-0.8	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.8
EBITA	5.7	3.4	7.7	6.2	7.5	4.8	8.4	7.8	9.7	7.3	10.1	9.4
NRI	-0.5	-0.4	-0.3	-1.7	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Adj. EBITA	6.2	3.8	7.9	7.9	7.6	4.8	8.6	7.8	9.7	7.3	10.1	9.4
Adj. EBITA margin %	10.0%	6.5%	12.3%	10.5%	11.0%	7.5%	12.2%	9.6%	11.7%	9.9%	12.9%	10.7%
-growth y/y	-7%	-19%	-4%	-9%	23%	27%	8%	-1%	27%	52%	18%	21%
EBIT	5.0	2.6	6.8	5.3	6.6	4.0	7.6	7.0	9.0	6.6	9.4	8.6
EBIT margin %	8.0%	4.4%	10.5%	7.1%	9.6%	6.2%	10.8%	8.6%	10.8%	8.9%	12.0%	9.8%
Net financials	-1.2	-1.9	-1.7	-1.6	-2.2	-2.8	-1.6	-0.9	-3.1	-1.7	-1.7	-1.6
PTP	3.8	0.7	5.1	3.7	4.5	1.1	6.0	6.1	5.8	4.9	7.7	7.0
Tax	-1.1	-0.7	-1.4	0.1	-1.6	-1.0	-1.7	0.2	-2.0	-1.6	-1.8	-0.9
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
Net profit for equity	2.7	0.0	3.7	3.7	2.9	0.2	4.3	6.3	3.9	3.3	5.9	6.1
Net profit	2.7	0.0	3.7	3.7	2.9	0.2	4.3	6.3	3.9	3.3	5.9	6.1
EPS (undiluted)	0.15	0.00	0.21	0.21	0.16	0.01	0.24	0.35	0.21	0.18	0.32	0.34

Source: Company data and Nordea estimates

DETAILED ANNUAL ESTIMATES (EURm; DPS AND EPS IN EUR)

EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net sales	99	129	238	261	284	324	340	352
Sales growth	37%	30%	84%	10%	9%	14%	5%	4%
of which organic	2%	3%	9%	-4%	5%	7%	3%	4%
of which FX	-1%	1%	2%	-2%	-4%	0%	0%	0%
of which structural	36%	27%	74%	15%	8%	7%	2%	0%
Other operating income	0.5	1.0	3.1	2.8	2.7	3.1	3.1	3.2
Materials and services	-66	-84	-138	-143	-155	-172	-180	-185
Gross profit	33.1	45.0	99.6	117.2	128.9	151.7	160.4	166.7
Gross margin %	33.4%	34.9%	41.9%	45.0%	45.4%	46.9%	47.2%	47.4%
Staff costs	-12	-17	-47	-55	-59	-68	-71	-73
Other operating costs	-8	-10	-20	-28	-29	-35	-37	-37
EBITDA	13.3	19.1	36.0	36.6	43.5	51.7	56.2	60.7
EBITDA margin %	13.5%	14.8%	15.1%	14.0%	15.3%	16.0%	16.5%	17.2%
D&A	-5.5	-8.0	-13.0	-16.9	-18.4	-18.1	-18.3	-18.6
of which depreciations	-0.4	-0.4	-10.3	-13.6	-15.0	-15.1	-15.3	-15.4
of which amortizations	-5.1	-7.6	-2.7	-3.3	-3.4	-3.0	-3.0	-3.1
EBITA	13.0	18.7	25.7	23.0	28.5	36.5	40.9	45.2
NRI	0.0	0.0	-2.6	-2.8	-0.3	0.0	0.0	0.0
Adj. EBITA	13.0	18.7	28.3	25.8	28.8	36.6	40.9	45.2
Adj. EBITA margin %	13.1%	14.5%	11.9%	9.9%	10.1%	11.3%	12.0%	12.8%
-growth y/y	55%	44%	56%	-12%	12%	27%	12%	11%
EBIT	7.9	11.1	23.0	19.6	25.1	33.6	37.8	42.1
EBIT margin %	7.9%	8.6%	9.7%	7.5%	8.8%	10.4%	11.1%	12.0%
Net financials	-5.4	-0.7	-4.6	-6.5	-7.4	-8.1	-7.0	-6.0
PTP	2.5	10.4	18.5	13.2	17.7	25.4	30.8	36.2
Tax	-1.9	-3.4	-4.1	-3.1	-4.0	-6.3	-7.1	-8.2
Minority interest	-0.2	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0
Net profit for equity	0.4	6.9	14.3	10.1	13.7	19.1	23.7	27.9
Net profit	0.6	7.0	14.4	10.1	13.7	19.2	23.7	27.9
EPS (undiluted)	0.03	0.41	0.80	0.56	0.76	1.05	1.31	1.54
DPS	0.10	0.30	0.36	0.40	0.44	0.48	0.52	0.60

Note: According to IFRS accounting from 2021 onwards, 2019-20 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 for B2C, mainly due to lower consumer confidence and high inflation.

A sluggish economy could negatively affect car service and spare parts sales	<p>General economy</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, although with lower seasonality.</p>
Competitors consolidating the market could hamper Relais' growth prospects	<p>Increasing competition</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>Dependence on suppliers</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 pandemic 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>Risks related to expansion</p> <p>Relais' ambitions to grow quickly do not come without costs, investments and risks. M&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&A execution plans, so as not to hamper earnings.</p>
Key employees leaving could lead to the loss of clients	<p>Dependence on key employees</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' 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 the acquired companies, this could directly impact sales and earnings.</p>
A share issue could dilute current shareholders' ownership	<p>Financial position</p> <p>Relais has high growth ambitions, hence we do not rule out the need for additional equity to support future M&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 considerable 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.

Tech failures 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	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Total revenue	59	60	72	99	129	238	261	284	324	340	352
Revenue growth	9.1%	2.6%	19.9%	36.6%	30.3%	84.5%	9.6%	9.0%	13.9%	5.1%	3.5%
of which organic	9.5%	-0.8%	9.5%	2.0%	3.0%	9.1%	-4.1%	5.0%	7.1%	3.0%	3.5%
of which FX	0.0%	0.0%	0.0%	-1.1%	0.7%	1.5%	-2.0%	-3.7%	0.1%	0.0%	0.0%
EBITDA	9	8	9	13	19	36	37	44	52	56	61
Depreciation and impairments PPE	0	0	0	0	0	-10	-14	-15	-15	-15	-15
of which leased assets	0	0	0	0	0	-7	-9	-13	-13	-13	-13
EBITA	9	8	8	13	19	26	23	29	37	41	45
Amortisation and impairments	-2	-2	-3	-5	-8	-3	-3	-3	-3	-3	-3
EBIT	7	6	6	8	11	23	20	25	34	38	42
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	-1	-1	-1	-5	-1	-5	-6	-7	-8	-7	-6
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	-2	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	4	5	5	2	10	18	13	18	25	31	36
Reported taxes	-1	-1	-2	-2	-3	-4	-3	-4	-6	-7	-8
Net profit from continued operations	3	4	3	1	7	14	10	14	19	24	28
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	-1	0	0	0	0	0	0	0	0	0	0
Net profit to equity	2	4	3	0	7	14	10	14	19	24	28
EPS, EUR	0.22	0.42	0.34	0.03	0.39	0.77	0.54	0.73	1.02	1.26	1.49
DPS, EUR	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.44	0.48	0.52	0.60
of which ordinary	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.44	0.48	0.52	0.60
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	15.2%	13.8%	12.1%	13.5%	14.8%	15.1%	14.0%	15.3%	16.0%	16.5%	17.2%
EBITA	14.5%	13.4%	11.6%	13.1%	14.5%	10.8%	8.8%	10.0%	11.3%	12.0%	12.8%
EBIT	11.6%	10.2%	7.9%	7.9%	8.6%	9.7%	7.5%	8.8%	10.4%	11.1%	12.0%

Adjusted earnings

EBITDA (adj)	11	8	9	13	19	39	39	44	52	56	61
EBITA (adj)	10	8	8	13	19	28	26	29	37	41	45
EBIT (adj)	8	6	6	8	11	26	22	25	34	38	42
EPS (adj, EUR)	0.40	0.42	0.34	0.29	0.39	0.91	0.69	0.75	1.02	1.26	1.49

Adjusted profit margins in percent

EBITDA (adj)	18.0%	13.8%	12.1%	13.5%	14.8%	16.2%	15.1%	15.4%	16.0%	16.5%	17.2%
EBITA (adj)	17.3%	13.4%	11.6%	13.1%	14.5%	11.9%	9.9%	10.1%	11.3%	12.0%	12.8%
EBIT (adj)	14.4%	10.2%	7.9%	7.9%	8.6%	10.8%	8.6%	9.0%	10.4%	11.1%	12.0%

Performance metrics

CAGR last 5 years											
Net revenue	16.0%	14.3%	17.8%	18.7%	19.0%	32.2%	34.0%	31.4%	26.7%	21.4%	8.2%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	32.1%	34.4%	37.9%	31.1%	24.0%	11.0%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	27.5%	26.2%	34.5%	33.7%	27.8%	12.8%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	28.6%	5.2%	16.5%	100.5%	26.6%	14.1%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	36.9%	11.6%	10.8%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	9.0%	9.0%	8.4%	8.6%	9.1%	9.6%	10.1%
Average EBITDA margin	4.1%	7.0%	9.0%	11.4%	13.9%	14.3%	14.2%	14.7%	15.1%	15.5%	15.9%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
P/E (adj)	n.a.	n.a.	n.a.	28.0	37.9	29.0	14.8	18.1	14.2	11.4	9.7
EV/EBITDA (adj)	n.a.	n.a.	n.a.	10.2	15.3	16.4	8.5	9.2	8.2	7.3	6.5
EV/EBITA (adj)	n.a.	n.a.	n.a.	10.5	15.6	22.3	13.0	14.0	11.6	10.0	8.7
EV/EBIT (adj)	n.a.	n.a.	n.a.	17.3	26.3	24.6	14.9	15.8	12.6	10.8	9.3

VALUATION RATIOS - REPORTED EARNINGS

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
P/E	n.a.	n.a.	n.a.	n.m.	37.9	34.3	19.0	18.5	14.2	11.4	9.7
EV/Sales	n.a.	n.a.	n.a.	1.37	2.26	2.66	1.28	1.42	1.31	1.20	1.11
EV/EBITDA	n.a.	n.a.	n.a.	10.2	15.3	17.5	9.1	9.3	8.2	7.3	6.5
EV/EBITA	n.a.	n.a.	n.a.	10.5	15.6	24.5	14.6	14.1	11.6	10.0	8.7
EV/EBIT	n.a.	n.a.	n.a.	17.3	26.3	27.4	17.0	16.0	12.6	10.8	9.3
Dividend yield (ord.)	n.a.	n.a.	n.a.	1.2%	2.0%	1.4%	3.9%	3.3%	3.3%	3.6%	4.2%
FCF yield	n.a.	n.a.	n.a.	-61.8%	2.8%	-10.2%	6.6%	8.9%	7.1%	12.8%	14.7%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	1.4%	6.0%	0.5%	7.5%	5.4%	4.3%	7.9%	9.8%
Payout ratio	0.0%	0.0%	0.0%	33.9%	77.4%	39.7%	58.2%	58.9%	47.1%	41.2%	40.4%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Intangible assets	5	7	5	54	59	130	133	133	136	132	129
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	1	0	15	15	13	13	13	13
of which goodwill	5	7	5	54	58	114	118	120	122	119	116
Tangible assets	0	0	0	0	0	59	57	66	54	55	57
of which leased assets	0	0	0	0	0	54	52	61	48	48	48
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	1	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	5	7	5	54	59	189	191	200	190	189	187
Inventory	26	27	29	43	44	73	68	74	84	89	92
Accounts receivable	5	8	8	12	13	34	33	41	47	50	51
Short-term leased assets	0	0	0	0	0	0	0	0	13	13	13
Other current assets	3	1	2	3	3	0	4	4	5	5	5
Cash and bank	1	2	2	30	35	12	14	10	8	11	18
Total current assets	35	37	42	88	95	119	119	129	157	167	180
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.
Total assets	40	44	47	142	154	308	309	329	348	356	367
Shareholders equity	6	11	17	64	72	102	104	111	122	137	155
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	3	3	1	0	0	0	0	0	0	0	0
Total Equity	9	14	17	64	72	102	104	111	122	137	155
Deferred tax	0	0	0	2	3	6	6	5	5	5	5
Long term interest bearing debt	15	11	14	59	58	91	96	89	89	79	69
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	3	0	2	0	0	2	1	2	2	2	2
Non-current lease debt	0	0	0	0	0	44	42	49	50	50	50
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	18	12	16	62	61	143	144	145	146	136	126
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	3	4	4	7	9	46	35	47	53	56	58
Current lease debt	0	0	0	0	0	11	12	14	13	13	13
Other current liabilities	3	4	5	6	8	0	7	6	7	7	7
Short term interest bearing debt	8	12	6	5	5	6	7	7	7	7	7
Total current liabilities	14	19	15	18	21	63	61	73	80	83	85
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	40	45	48	143	155	308	309	329	348	356	367
Balance sheet and debt metrics											
Net debt	22	22	18	35	28	140	143	149	151	138	121
of which lease debt	0	0	0	0	0	55	53	63	63	63	64
Working capital	28	28	31	46	44	61	63	67	76	80	83
Invested capital	33	35	36	100	103	250	254	267	267	269	270
Capital employed	32	37	37	128	135	254	260	270	281	286	295
ROE	64.1%	44.7%	22.7%	1.0%	10.2%	16.5%	9.8%	12.8%	16.4%	18.3%	19.1%
ROIC	40.5%	14.2%	12.7%	9.1%	8.6%	11.5%	7.0%	7.7%	9.9%	11.2%	12.4%
ROCE	53.4%	17.9%	15.7%	9.6%	10.1%	13.8%	10.6%	10.1%	13.3%	14.4%	15.6%
Net debt/EBITDA	2.5	2.6	2.0	2.6	1.5	3.9	3.9	3.4	2.9	2.5	2.0
Interest coverage	9.3	7.1	6.0	1.5	4.6	4.2	2.2	3.0	3.3	4.1	5.0
Equity ratio	15.2%	23.8%	34.7%	44.5%	46.5%	33.1%	33.6%	33.6%	35.0%	38.4%	42.3%
Net gearing	244.3%	152.2%	102.0%	54.3%	39.1%	136.5%	137.4%	135.0%	124.0%	101.0%	77.9%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
EBITDA (adj) for associates	9	8	9	13	19	36	37	44	52	56	61
Paid taxes	0	0	-2	-2	-3	-5	-3	-4	-6	-7	-8
Net financials	0	0	-1	-6	-1	-3	-4	-7	-8	-7	-6
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	3	-3	2	-2	0	1	-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	-11	-6	-2	1	0	-5	1	0	0	0	0
Funds from operations (FFO)	0	0	6	5	15	24	29	33	37	42	46
Change in NWC	0	0	-2	-3	1	-12	0	-2	-9	-4	-3
Cash flow from operations (CFO)	0	0	3	2	16	12	29	31	28	38	44
Capital expenditure	0	0	0	0	0	-2	-2	-4	-3	-4	-4
Free cash flow before A&D	0	0	3	1	16	9	27	27	25	35	40
Proceeds from sale of assets	0	0	0	1	1	0	0	0	0	0	0
Acquisitions	0	0	-1	-65	-9	-60	-15	-4	-5	0	0
Free cash flow	0	0	2	-63	7	-50	13	23	19	35	40
Free cash flow bef A&D, lease adj	0	0	3	1	16	2	14	14	12	21	27
Dividends paid	0	0	0	0	-2	-5	-6	-7	-8	-9	-9
Equity issues / buybacks	0	0	0	44	0	1	0	0	0	0	0
Net change in debt	0	0	0	42	-1	32	9	-8	0	-10	-10
Other financing adjustments	0	0	0	0	0	0	0	-13	-13	-13	-13
Other non-cash adjustments	1	1	-2	4	1	0	-14	1	0	0	0
Change in cash	1	1	1	27	5	-23	2	-4	-2	3	7
Cash flow metrics											
Capex/D&A	0.0%	0.0%	6.9%	7.3%	2.5%	17.6%	10.2%	22.1%	18.5%	19.2%	20.0%
Capex/Sales	0.0%	0.0%	0.3%	0.4%	0.2%	1.0%	0.7%	1.4%	1.0%	1.0%	1.1%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	8	15	26	10	14	14	14	14
Market cap.	n.a.	n.a.	n.a.	101	263	492	192	253	271	271	271
Enterprise value	n.a.	n.a.	n.a.	136	292	632	334	403	422	410	392
Diluted no. of shares, year-end (m)	9.1	9.1	9.1	12.3	17.9	18.7	18.8	18.8	18.8	18.8	18.8

Source: Company data and Nordea estimates

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Completion Date

16 Aug 2024, 00:50 CET

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