

## Relais Group Oyj

Consumer Goods  
Finland

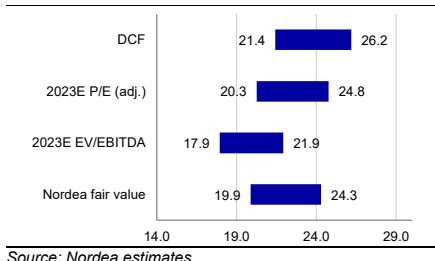
## KEY DATA

|                     |                   |
|---------------------|-------------------|
| Stock country       | Finland           |
| Bloomberg           | RELAIS.FH         |
| Reuters             | RELAIS.HE         |
| Share price (close) | EUR 18.00         |
| Free Float          | 36%               |
| Market cap. (bn)    | EUR 0.34/EUR 0.34 |
| Website             | www.relais.fi     |
| Next report date    | 11 Aug 2022       |

## PERFORMANCE



## VALUATION APPROACH



## ESTIMATE CHANGES

| Year       | 2022E | 2023E | 2024E |
|------------|-------|-------|-------|
| Sales      | -6%   | -5%   | -5%   |
| EBIT (adj) | -23%  | -11%  | -10%  |

Source: Nordea estimates

## Nordea Markets - Analysts

Joni Sandvall  
AnalystSanna Perälä  
Analyst

## Blurred visibility into 2022

Relais reported Q1 results that were well below Refinitiv consensus. Weather conditions, sick leave and customers' cautiousness owing to rising fuel and energy prices led to high-single-digit organic sales contraction. Although we believe market demand has reached more normal levels, despite price increases, we expect only flat market growth for the remainder of the year. For Relais, we model -1% organic growth for 2022 with slightly positive organic growth after Q1. Supply constraints remain in the market and the company has 10-15% higher-than-normal inventory as a precautionary measure. Given more favourable acquisition multiples, we believe M&A activity will pick up in H2. We derive a multiples- and DCF-based fair value range of EUR 19.9-24.3 (22.1-27.0) per Relais share.

## Q1 missed consensus for various reasons

For Q1, net sales came in 19% below Refinitiv consensus with high-single-digit organic contraction. Adjusted EBITA of EUR 6.1m was 36% below consensus. The weak results were attributable to COVID-19-related sick leave, less favourable weather conditions and transport sector customers being more cautious due to increased fuel and energy prices. Despite price increases, we expect market growth to be flattish for the remainder of the year; we look for Relais to slightly outperform the market, and model -1% organic growth for 2022. Cross-selling and cost synergies from the latest acquisitions should support growth and earnings development going forward, in our view. M&A actions are likely to continue in H2 owing to more favourable acquisition multiples and an active M&A strategy.

## We take a more cautious stance

Given the soft Q1 and blurry market outlook, we cut our 2022-24 EBITA estimates by 8-12%. Our top-line estimates are down 5-6% for 2022-23. Despite the challenging Q1, we believe Relais will be able to maintain a positive organic growth rate, further boosted by additional M&A.

## Valuation range of EUR 19.9-24.3

Relais is aiming to transfer to the Nasdaq Helsinki main list during H2 2022 at the earliest. Given this ambition, the transition to IFRS accounting should take place by the end of 2022 at the latest. Under IFRS, EBIT would be substantially higher due to current goodwill amortisations. We derive a fair value range of EUR 19.9-24.3 (22.1-27.0) per Relais share. Assuming the company successfully executes our M&A scenario, we still believe that it could hit its EUR 500m top-line target by 2026.

## SUMMARY TABLE - KEY FIGURES

| EURm                     | 2018   | 2019   | 2020  | 2021 | 2022E | 2023E  | 2024E |
|--------------------------|--------|--------|-------|------|-------|--------|-------|
| Total revenue            | 72     | 99     | 129   | 238  | 269   | 289    | 299   |
| EBITDA (adj)             | 9      | 13     | 19    | 31   | 34    | 40     | 44    |
| EBIT (adj)               | 6      | 8      | 11    | 16   | 18    | 28     | 31    |
| EBIT (adj) margin        | 7.9%   | 7.9%   | 8.6%  | 6.9% | 6.5%  | 9.7%   | 10.5% |
| EPS (adj, EUR)           | 0.34   | 0.29   | 0.39  | 0.41 | 0.45  | 0.94   | 1.09  |
| EPS (adj) growth         | -17.9% | -13.6% | 31.5% | 6.3% | 9.6%  | 108.0% | 16.0% |
| DPS (ord, EUR)           | 0.00   | 0.10   | 0.30  | 0.36 | 0.40  | 0.47   | 0.52  |
| EV/Sales                 | n.a.   | 1.4    | 2.3   | 2.4  | 1.6   | 1.4    | 1.3   |
| EV/EBIT (adj)            | n.a.   | 17.3   | 26.3  | 35.2 | 23.8  | 14.4   | 12.2  |
| P/E (adj)                | n.a.   | 28.0   | 37.9  | 63.8 | 39.8  | 19.1   | 16.5  |
| P/BV                     | n.a.   | 1.6    | 3.7   | 5.5  | 3.7   | 3.3    | 3.0   |
| Dividend yield (ord)     | n.a.   | 1.2%   | 2.0%  | 1.4% | 2.2%  | 2.6%   | 2.9%  |
| FCF Yield bef A&D, lease | n.a.   | 1.4%   | 6.1%  | 0.4% | 6.2%  | 6.8%   | 8.4%  |
| Net debt                 | 18     | 35     | 28    | 87   | 82    | 66     | 46    |
| Net debt/EBITDA          | 2.0    | 2.6    | 1.5   | 2.8  | 2.4   | 1.6    | 1.0   |
| ROIC after tax           | 11.3%  | 8.1%   | 7.7%  | 8.1% | 6.9%  | 11.2%  | 13.1% |

Source: Company data and Nordea estimates

# Q1 2022 deviation and results takeaways

Relais reported Q1 adjusted EBITA of EUR 6.1m, 36% below Refinitiv consensus and 32% below our estimate. Net sales totalled EUR 61.9m, 19% below consensus and 17% below our estimate. Reported EBIT was EUR 2.5m, 49% below consensus. The market situation was exceptionally challenging during Q1, with less favourable weather conditions, extensive sick leave reducing workshop invoicing, lower market demand owing to cost increases and cautious transport sector customers. The market situation improved somewhat in March after an exceptionally challenging January-February, while the outlook remains blurry. Our initial take is that the consensus EBITA estimate could decrease significantly.

## OUR ESTIMATES VS CONSENSUS AND Q1 ACTUAL FIGURES

| EURm                | Actual       | NDA est.     | Deviation    | Consensus   | Deviation    | Actual       | Actual      |              |              |              |              |
|---------------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|
|                     | Q1 2022      | Q1 2022      | vs. actual   | Q1 2022     | vs. actual   | Q4 2021      | q/q         | Q1 2021      | y/y          |              |              |
| <b>Sales</b>        | <b>61.9</b>  | <b>74.8</b>  | <b>-13</b>   | <b>-17%</b> | <b>76.0</b>  | <b>-14</b>   | <b>-19%</b> | <b>73.5</b>  | <b>-16%</b>  | <b>53.5</b>  | <b>16%</b>   |
| Gross profit        | 28.0         | 31.0         | -3           | -10%        | 36           | -8           |             | 31.8         | -12%         | 21.3         | 31%          |
| <b>Gross margin</b> | <b>45.3%</b> | <b>41.5%</b> | <b>3.8pp</b> |             | <b>47.4%</b> |              |             | <b>43.3%</b> | <b>2.0pp</b> | <b>39.9%</b> | <b>5.4pp</b> |
| <b>Adj. EBITA</b>   | <b>6.1</b>   | <b>9.0</b>   | <b>(2.9)</b> | <b>-32%</b> | <b>9.5</b>   | <b>-3.4</b>  | <b>-36%</b> | <b>8.8</b>   | <b>-30%</b>  | <b>7.4</b>   | <b>-17%</b>  |
| Adj. EBITA margin   | 9.9%         | 12.0%        | -2.1pp       |             | 12.5%        | -2.6pp       |             | 11.9%        | -2.0pp       | 13.8%        | -4.0pp       |
| EBITA               | 6.1          | 9.0          | -2.9         | -32%        |              |              |             | 8.8          | -30%         | 7.4          | -17%         |
| EBITA margin        | 9.9%         | 12.0%        | -2.1pp       |             |              |              |             | 11.9%        | -2.0pp       | 13.8%        | -4.0pp       |
| EBIT                | 2.5          | 5.5          | -3.0         | -54%        | 5.0          | -2.5         | -49%        | 5.3          | -52%         | 4.6          | -45%         |
| EBIT margin         | 4.1%         | 7.4%         | -3.2         | -65%        | 6.6%         | -2.5pp       |             | 7.2%         | -3.1pp       | 8.6%         | -4.5pp       |
| PTP                 | 1.7          | 4.8          | -3.2         | -65%        | 4.0          | -2.3         | -58%        | 4.4          | -62%         | 3.2          | -48%         |
| <b>Adj. EPS</b>     | <b>0.22</b>  | <b>0.35</b>  | <b>-0.13</b> | <b>-37%</b> | <b>0.33</b>  | <b>-0.11</b> | <b>-34%</b> | <b>0.35</b>  | <b>-37%</b>  | <b>0.25</b>  | <b>-13%</b>  |
| EPS                 | 0.02         | 0.17         | -0.15        | -88%        | 0.24         | -0.22        | -92%        | 0.16         | -88%         | 0.10         | -80%         |

Source: Company data, Refinitiv and Nordea estimates

### Q1 missed on all fronts

Relais' Q1 net sales totalled EUR 61.9m, up 16% y/y but 19% below Refinitiv consensus and 17% below our estimate. According to management, Q1 (especially January-February) was exceptionally challenging for multiple reasons. A mild winter reduced demand for electrical spare parts, extensive sick leave due to the Omicron variant of COVID-19 reduced workshop invoicing, general cost increases reduced market demand and transport sector customers were cautious. Omicron also reduced private car traffic.

Adjusted EBITA totalled EUR 6.1m, down 17% y/y, 36% below consensus and 32% below our estimate. Q1 EBIT totalled EUR 2.5m, 49% below consensus and 54% below our estimate. Amortisation-adjusted EPS totalled EUR 0.22, below consensus of EUR 0.33 and our estimate of EUR 0.35.

### No numeric guidance for 2022

Overall market growth in the Nordic countries is expected to be low this year and probably below last year's growth. Although overall market demand appears reasonably stable, it is still below last year, with a blurry outlook due to a lack of components and semi-conductors, the increase in raw material prices, challenges in global logistics chains and the weakened political and security situation. Due to the uncertainty, Relais has not provided numerical guidance for 2022.

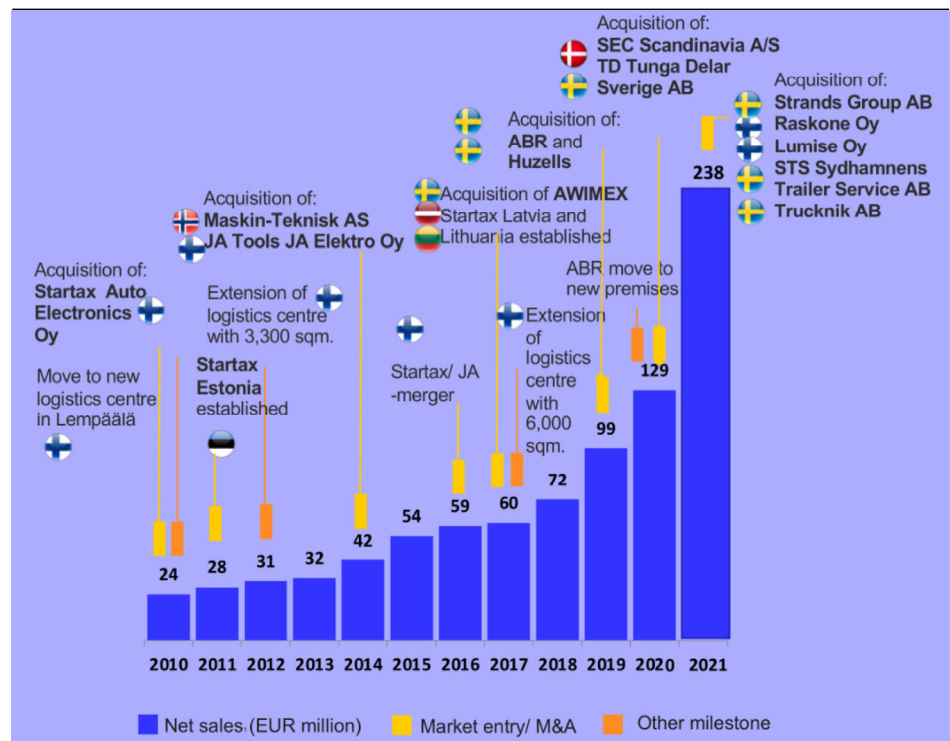
### Takeaways from the conference call

- In Q1, Relais posted a single-digit organic contraction, in line with the market. We believe the EBITA miss was mainly due to lower repair business sales, which carry a higher gross margin but lower EBITA.
- Management believes the decline in demand among transport sector customers is temporary, and that demand is most likely delayed to the future.
- Management noted decreasing valuation multiples and said acquisitions will likely continue in the summer and during H2, rather than in Q2.
- Management said the spare part supply chain is healthy, but is more concerned about lighting products that are shipped from China. If the COVID-19-related lockdowns in China persist and harbours close, logistics delays are possible. At the moment, Relais has a good overview for the next six months of shipments. Inventory levels are currently 10-15% higher than normal as a precautionary measure, which partly caused the decrease in cash assets.
- Management believes that the company's market environment is normalising and the worst is over. COVID-19-related sick leave is no longer affecting the business and the recovery is expected to be faster in Sweden than in Finland. The performance of the lighting business, contributing approximately a quarter of sales, will be assessed in H2.
- Relais has increased its prices by 2-10%, depending on the product category, and continues to hike prices to compensate for cost inflation. Management seemed confident that price increases will mitigate cost inflation.
- Relais sees huge cross-selling potential between the acquired companies, both past and future.

### Growth strategy leans on M&A

In addition to organic growth, Relais has made a substantial number of acquisitions over the past decade. Given its pro forma revenue target of EUR 500m by 2026, we believe company will most likely continue to accelerate its acquisition spree.

#### M&A TRACK RECORD SINCE 2010 (EXCLUDING SKEPPSBRONS JÖNKÖPING)



# 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 addition to its acquisitions from 2021-22. With successful M&A execution, we believe Relais could reach net sales of EUR 505m by 2026 while keeping its net gearing around 100%. We thus believe it could add shareholder value through acquisitions with compelling multiples going forward.

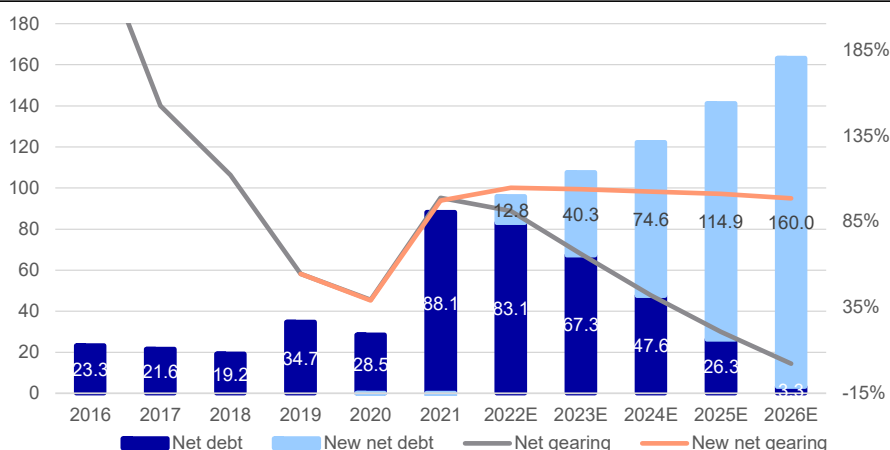
Recent acquisitions increase net debt/EBITDA to ~2.4x for 2022E

### First full cash acquisition

A substantial part of the Skeppsbrons Jönköping AB, Raskone and Lumise acquisitions was financed by a directed share issue, but the Sydhavnens Trailer Service (STS) acquisition was made with cash only. We believe the company will continue making acquisitions in 2022 and could have at least EUR 15m of firepower in 2022 despite its latest acquisitions. Without new debt or acquisitions, we estimate that Relais could deleverage its balance sheet to net gearing of ~40% by 2024 (from ~90% in 2022E).

With M&A fully financed by cash flow and debt, Relais could maintain its net gearing around 100% for 2022E-26E

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



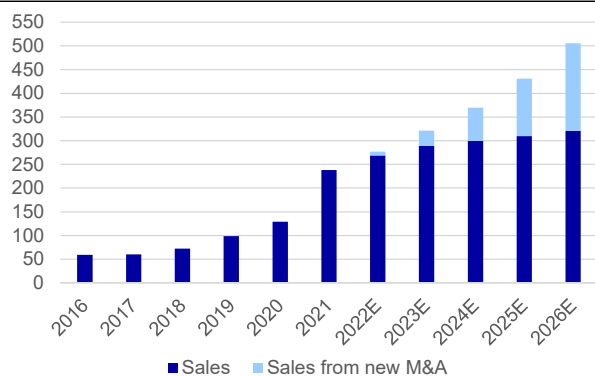
Source: Company data and Nordea estimates

### With successful M&A, total net sales could reach EUR 508m by 2026

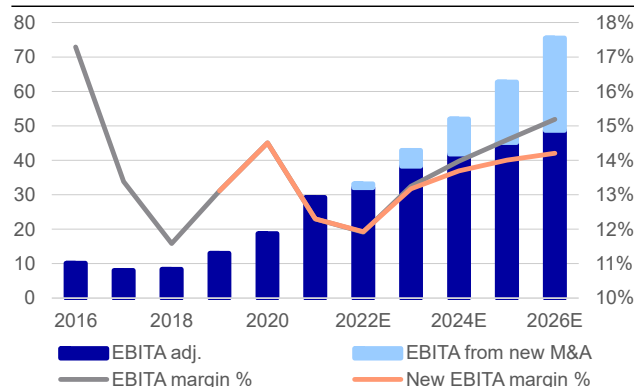
Acquisitions could add EUR ~185m to net sales by 2026 without stretching the balance sheet too much

Assuming deal EV/EBITDA multiples of 8x, further M&A could increase the company's EBITA by EUR ~4m for 2023E and EUR ~23m for 2026E. We assume that the acquired companies will have an EBITA margin of 12.5%, implying that Relais could add EUR ~185m to net sales by 2026 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.

We argue that our assumptions are conservative considering recent acquisitions, and we think larger targets could command slightly higher multiples. Relais has 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 latest Skeppsbrons Jönköping AB acquisition was made at 6.0x 2021 EV/EBITDA.

**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  | 2022E | 2023E | 2024E | 2025E | 2026E |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales   | 59    | 60    | 72    | 99    | 129   | 238   | 269   | 289   | 299   | 310   | 321   |       |       |
| EBITA adj.  | 10.2  | 8.1   | 8.4   | 13.0  | 18.7  | 29.3  | 32.1  | 38.3  | 41.8  | 45.2  | 48.7  |       |       |
| -margin %   | 17.3% | 13.4% | 11.6% | 13.1% | 14.5% | 12.3% | 11.9% | 13.3% | 14.0% | 14.6% | 15.2% |       |       |
| Cash  | 0.8   | 1.5   | 2.3   | 29.6  | 34.7  | 11.8  | 6.8   | 7.6   | 12.3  | 18.6  | 26.6  |       |       |
| Equity  | 9.0   | 14.2  | 17.2  | 63.7  | 72.4  | 89.2  | 91.3  | 101.6 | 113.6 | 127.3 | 142.9 |       |       |
| Net debt  | 23.3  | 21.6  | 19.2  | 34.7  | 28.5  | 88.1  | 83.1  | 67.3  | 47.6  | 26.3  | 3.3   |       |       |
| Net gearing   | 257%  | 152%  | 112%  | 54%   | 39%   | 99%   | 91%   | 66%   | 42%   | 21%   | 2%    |       |       |
| Net debt/EBITDA                                     | 2.2x  | 2.6x  | 2.2x  | 2.6x  | 1.5x  | 2.8x  | 2.4x  | 1.7x  | 1.1x  | 0.6x  | 0.1x  |       |       |
| Deal(s) size  |       |       |       |       |       |       | 15    | 30    | 40    | 50    | 60    |       |       |
| EV/EBITA assumption, x                              |       |       |       |       |       |       | 8x    | 8x    | 8x    | 8x    | 8x    |       |       |
| EV/Sales assumption, x                              |       |       |       |       |       |       | 1.0x  | 1.0x  | 1.0x  | 1.0x  | 1.0x  |       |       |
| Cumulative sales increase from M&A                  |       |       |       |       |       |       | 8     | 32    | 70    | 121   | 185   |       |       |
| Cumulative EBITA increase from M&A                  |       |       |       |       |       |       | 1.0   | 4.0   | 8.8   | 15.1  | 23.1  |       |       |
| - margin %  |       |       |       |       |       |       | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% |       |       |
| <b>New estimates after additional M&amp;A, EURm</b> |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Sales, EURm   |       |       | 72    | 99    | 129   | 238   | 277   | 321   | 370   | 431   | 505   |       |       |
| EBITA, EURm   |       |       | 8.4   | 13.0  | 18.7  | 29.3  | 33.1  | 42.3  | 50.6  | 60.3  | 71.8  |       |       |
| -margin %   |       |       | 11.6% | 13.1% | 14.5% | 12.3% | 11.9% | 13.2% | 13.7% | 14.0% | 14.2% |       |       |
| Cash  |       |       | 0.8   | 1.5   | 2.3   | 29.6  | 34.7  | 11.8  | 7.4   | 10.8  | 21.1  | 37.1  | 60.1  |
| Equity  |       |       | 9.0   | 14.2  | 17.2  | 63.7  | 72.4  | 89.2  | 91.7  | 103.7 | 119.4 | 139.8 | 165.8 |
| Net debt  |       |       | 23.3  | 21.6  | 19.2  | 34.7  | 28.3  | 86.6  | 95.9  | 107.6 | 122.2 | 141.2 | 163.3 |
| Net gearing   |       |       | 257%  | 152%  | 112%  | 54%   | 39%   | 97%   | 105%  | 104%  | 102%  | 101%  | 99%   |
| EBITDA adj.   |       |       | 10.6  | 8.3   | 8.7   | 13.3  | 19.1  | 31.0  | 35.2  | 44.6  | 53.3  | 63.6  | 75.7  |
| ND/EBITDA   |       |       | 2.2x  | 2.6x  | 2.2x  | 2.6x  | 1.5x  | 2.8x  | 2.7x  | 2.4x  | 2.3x  | 2.2x  | 2.2x  |

Source: Company data and Nordea estimates

**Compounder effect could be substantial**

In the table below, we illustrate the potential "compounder effect" for Relais, as the company targets growth through acquisitions going forward. 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 15-60m annually during 2022-26, financed with cash flow and debt, and still stay below 100% gearing and ~2x 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 20-60m annually could be realistic for 2022-25.

- **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 20-60m) and likely EV/EBITA acquisition multiples (6-10x), with the midpoint suggesting EUR 20m 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 12x on average for Relais, i.e. if it makes acquisitions at an EV/EBITA multiple of above 12x, 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  | 15                     | 30 | 45  | 60  | 75  | 90  | 105 | 120 | 135 | 150 | 165 | 180 | 195 | 210 | 225 |
|                                    | 4  | 10                     | 20 | 30  | 40  | 50  | 60  | 70  | 80  | 90  | 100 | 110 | 120 | 130 | 140 | 150 |
|                                    | 5  | 7                      | 14 | 21  | 28  | 35  | 42  | 49  | 56  | 63  | 70  | 77  | 84  | 91  | 98  | 105 |
|                                    | 6  | 5                      | 10 | 15  | 20  | 25  | 30  | 35  | 40  | 45  | 50  | 55  | 60  | 65  | 70  | 75  |
|                                    | 7  | 4                      | 7  | 11  | 14  | 18  | 21  | 25  | 29  | 32  | 36  | 39  | 43  | 46  | 50  | 54  |
|                                    | 8  | 3                      | 5  | 8   | 10  | 13  | 15  | 18  | 20  | 23  | 25  | 28  | 30  | 33  | 35  | 38  |
|                                    | 9  | 2                      | 3  | 5   | 7   | 8   | 10  | 12  | 13  | 15  | 17  | 18  | 20  | 22  | 23  | 25  |
|                                    | 10 | 1                      | 2  | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  | 13  | 14  | 15  |
|                                    | 11 | 0                      | 1  | 1   | 2   | 2   | 3   | 3   | 4   | 4   | 5   | 5   | 5   | 6   | 6   | 7   |
|                                    | 12 | 0                      | 0  | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   |
|                                    | 13 | 0                      | -1 | -1  | -2  | -2  | -2  | -3  | -3  | -3  | -4  | -4  | -5  | -5  | -5  | -6  |
|                                    | 14 | -1                     | -1 | -2  | -3  | -4  | -4  | -5  | -6  | -6  | -7  | -8  | -9  | -9  | -10 | -11 |
|                                    | 15 | -1                     | -2 | -3  | -4  | -5  | -6  | -7  | -8  | -9  | -10 | -11 | -12 | -13 | -14 | -15 |
|                                    | 16 | -1                     | -3 | -4  | -5  | -6  | -8  | -9  | -10 | -11 | -13 | -14 | -15 | -16 | -18 | -19 |
|                                    | 17 | -1                     | -3 | -4  | -6  | -7  | -9  | -10 | -12 | -13 | -15 | -16 | -18 | -19 | -21 | -22 |
|                                    | 18 | -2                     | -3 | -5  | -7  | -8  | -10 | -12 | -13 | -15 | -17 | -18 | -20 | -22 | -23 | -25 |
|                                    | 19 | -2                     | -4 | -6  | -7  | -9  | -11 | -13 | -15 | -17 | -18 | -20 | -22 | -24 | -26 | -28 |
|                                    | 20 | -2                     | -4 | -6  | -8  | -10 | -12 | -14 | -16 | -18 | -20 | -22 | -24 | -26 | -28 | -30 |
|                                    | 21 | -2                     | -4 | -6  | -9  | -11 | -13 | -15 | -17 | -19 | -21 | -24 | -26 | -28 | -30 | -32 |
|                                    | 22 | -2                     | -5 | -7  | -9  | -11 | -14 | -16 | -18 | -20 | -23 | -25 | -27 | -30 | -32 | -34 |
| 23                                 | -2 | -5                     | -7 | -10 | -12 | -14 | -17 | -19 | -22 | -24 | -26 | -29 | -31 | -33 | -36 |     |

Source: Nordea estimates

# Estimate revisions

## Estimate revisions

Following the Q1 results, we cut the 2022E-24E top line by 5-6%. Despite price hikes, we now model 1% lower organic sales for 2022E. We expect consumers to remain more cautious due to inflation, which could cause lower mileage. Owing to expected lower volumes, we cut 2022E adjusted EBITA by 12% and 2023E-24E by 8%. We lower our dividend assumptions by 5-11% for 2022E-24E.

### ESTIMATE REVISIONS

| EURm                | New estimates |              |              |              | Old estimates |              |              |              | Difference % |              |              |              |
|---------------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                     | Q2 2022E      | 2022E        | 2023E        | 2024E        | Q2 2022E      | 2022E        | 2023E        | 2024E        | Q2 2022E     | 2022E        | 2023E        | 2024E        |
| <b>Sales</b>        | <b>60.5</b>   | <b>269</b>   | <b>289</b>   | <b>299</b>   | <b>62.7</b>   | <b>286</b>   | <b>304</b>   | <b>315</b>   | <b>-4%</b>   | <b>-6%</b>   | <b>-5%</b>   | <b>-5%</b>   |
| Gross profit        | 26.6          | 119          | 129          | 134          | 27.6          | 124          | 132          | 137          | -4%          | -4%          | -2%          | -3%          |
| <b>Gross margin</b> | <b>44.0%</b>  | <b>44.1%</b> | <b>44.5%</b> | <b>44.6%</b> | <b>44.0%</b>  | <b>43.3%</b> | <b>43.5%</b> | <b>43.6%</b> | <b>0.0pp</b> | <b>0.9pp</b> | <b>1.1pp</b> | <b>1.1pp</b> |
| <b>Adj. EBITA</b>   | <b>6.1</b>    | <b>32.1</b>  | <b>38.3</b>  | <b>41.8</b>  | <b>7.1</b>    | <b>36.6</b>  | <b>41.7</b>  | <b>45.3</b>  | <b>-14%</b>  | <b>-12%</b>  | <b>-8%</b>   | <b>-8%</b>   |
| Adj. EBITA margin   | 10.1%         | 11.9%        | 13.3%        | 14.0%        | 11.3%         | 12.8%        | 13.7%        | 14.4%        | -1.2pp       | -0.9pp       | -0.5pp       | -0.4pp       |
| EBITA               | 6.1           | 32.1         | 38.3         | 41.8         | 7.1           | 36.6         | 41.7         | 45.3         | -14%         | -12%         | -8%          | -8%          |
| EBITA margin        | 10.1%         | 11.9%        | 13.3%        | 14.0%        | 11.3%         | 12.8%        | 13.7%        | 14.4%        | -1.2pp       | -0.9pp       | -0.5pp       | -0.4pp       |
| EBIT                | 2.6           | 17.6         | 27.9         | 31.5         | 3.7           | 22.8         | 31.3         | 34.9         | -31%         | -23%         | -11%         | -10%         |
| EBIT margin         | 4.2%          | 6.5%         | 9.7%         | 10.5%        | 5.9%          | 8.0%         | 10.3%        | 11.1%        | -1.7pp       | -1.5pp       | -0.6pp       | -0.6pp       |
| PTP                 | 1.9           | 14.6         | 25.0         | 28.6         | 3.0           | 20.0         | 28.5         | 32.1         | -38%         | -27%         | -12%         | -11%         |
| EPS                 | 0.04          | 0.45         | 0.94         | 1.09         | 0.09          | 0.70         | 1.09         | 1.24         | -56%         | -36%         | -14%         | -12%         |
| DPS                 |               | 0.40         | 0.47         | 0.52         |               | 0.45         | 0.50         | 0.55         |              | -11%         | -6%          | -5%          |

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 19.9-24.3 (22.0-26.9) 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               | 1.1x        | 1.1x        | 1.0x        | 8.9x         | 8.2x         | 7.2x        | 11.2x        | 10.2x        | 9.6x         | 14.7         | 12.9         | 11.2         |
| Auto Partner Sa                      | 0.9x        | 0.7x        | 0.7x        | 8.2x         | 6.4x         | 6.1x        | 8.8x         | 6.9x         | 6.6x         |              |              |              |
| Autozone Inc                         | 2.8x        | 2.6x        | 2.5x        | 12.1x        | 11.6x        | 11.0x       | 13.7x        | 13.2x        | 12.6x        | 17.3         | 15.8         | 14.4         |
| Inter Cars Sa                        | 0.5x        | 0.5x        |             | 7.0x         | 6.8x         |             | 7.9x         | 7.6x         |              | 8.6          | 8.3          |              |
| Camping World Holdings Inc           | 0.7x        | 0.7x        |             | 6.5x         | 7.2x         |             | 7.4x         | 8.3x         |              | 4.9          | 5.5          |              |
| Dometic Group Ab (Publ)              | 1.3x        | 1.3x        | 1.2x        | 7.8x         | 7.2x         | 6.8x        | 10.1x        | 9.3x         | 8.7x         | 10.1         | 9.1          | 8.6          |
| Halfords Group Plc                   | 0.5x        | 0.5x        | 0.5x        | 3.3x         | 3.1x         | 2.9x        | 7.2x         | 6.9x         | 6.2x         | 6.6          | 6.6          | 6.0          |
| Mekonomen Ab                         | 0.9x        | 0.8x        | 0.8x        | 6.5x         | 6.1x         | 5.9x        | 11.2x        | 10.1x        | 9.5x         | 9.1          | 8.1          | 7.7          |
| O'Reilly Automotive Inc              | 3.0x        | 2.9x        | 2.7x        | 13.2x        | 12.4x        | 11.6x       | 14.6x        | 13.7x        | 12.9x        | 18.4         | 16.5         | 15.0         |
| Thule Group Ab                       | 3.1x        | 2.9x        | 2.7x        | 13.1x        | 12.1x        | 11.2x       | 14.0x        | 12.9x        | 11.9x        | 17.3         | 16.0         | 14.8         |
| <b>Peer group average</b>            | <b>1.5x</b> | <b>1.4x</b> | <b>1.5x</b> | <b>8.7x</b>  | <b>8.1x</b>  | <b>7.8x</b> | <b>10.6x</b> | <b>9.9x</b>  | <b>9.8x</b>  | <b>11.9</b>  | <b>11.0</b>  | <b>11.1</b>  |
| <b>Peer group median</b>             | <b>1.0x</b> | <b>1.0x</b> | <b>1.1x</b> | <b>8.0x</b>  | <b>7.2x</b>  | <b>7.0x</b> | <b>10.6x</b> | <b>9.7x</b>  | <b>9.6x</b>  | <b>10.1x</b> | <b>9.1x</b>  | <b>11.2</b>  |
| <b>US peers' average</b>             | <b>1.9x</b> | <b>1.8x</b> | <b>2.1x</b> | <b>10.2x</b> | <b>9.8x</b>  | <b>9.9x</b> | <b>11.7x</b> | <b>11.4x</b> | <b>11.7x</b> | <b>13.8x</b> | <b>12.7x</b> | <b>13.5x</b> |
| <b>European peers' average</b>       | <b>1.2x</b> | <b>1.1x</b> | <b>1.2x</b> | <b>7.7x</b>  | <b>6.9x</b>  | <b>6.6x</b> | <b>9.9x</b>  | <b>9.0x</b>  | <b>8.6x</b>  | <b>10.3x</b> | <b>9.6x</b>  | <b>9.3x</b>  |
| <b>Relais (Nordea)</b>               | <b>2.3x</b> | <b>1.5x</b> | <b>1.3x</b> | <b>18.0x</b> | <b>11.9x</b> | <b>9.6x</b> | <b>34.0x</b> | <b>23.1x</b> | <b>14.0x</b> | <b>63.8x</b> | <b>39.8x</b> | <b>19.1x</b> |
| <b>difference to median</b>          | <b>137%</b> | <b>57%</b>  | <b>19%</b>  | <b>126%</b>  | <b>65%</b>   | <b>38%</b>  | <b>220%</b>  | <b>137%</b>  | <b>46%</b>   | <b>532%</b>  | <b>336%</b>  | <b>72%</b>   |
| <b>Compounders</b>                   |             |             |             |              |              |             |              |              |              |              |              |              |
| Addtech Ab                           | 3.1         | 2.8         | 2.6         | 21.5         | 19.4         | 18.1        | 30.0         | 26.7         | 24.7         | 39.9         | 35.1         | 32.3         |
| Bergman & Beving Ab                  | 0.9         | 0.9         | 0.9         | 8.6          | 7.9          | 7.6         | 14.3         | 12.7         | 11.9         | 13.2         |              |              |
| Beijer Alma Ab                       | 1.8         | 1.7         | 1.6         | 9.5          | 8.5          | 7.9         | 12.2         | 11.0         | 10.1         | 15.0         | 13.5         | 12.4         |
| Beijer Ref Ab (Publ)                 | 2.4         | 2.2         | 2.0         | 19.9         | 17.1         | 16.0        | 26.0         | 22.6         | 20.4         | 39.9         | 34.1         | 30.6         |
| Bufab Ab (Publ)                      | 1.8         | 1.7         | 1.6         | 12.6         | 11.6         | 11.1        | 15.4         | 14.0         | 13.3         | 16.8         | 15.2         | 14.2         |
| Indutrade Ab                         | 3.2         | 3.0         | 2.9         | 17.9         | 17.1         | 16.3        | 24.4         | 23.4         | 22.2         | 28.3         | 26.6         | 25.0         |
| Lagercrantz Group Ab                 | 3.1         | 2.8         | 2.7         | 15.4         | 14.4         | 12.5        | 21.4         | 19.5         | 18.2         | 32.6         | 29.0         | 27.5         |
| Lifco Ab (Publ)                      | 4.0         | 3.8         | 3.7         | 18.1         | 17.5         | 16.2        | 22.8         | 21.9         | 20.7         | 29.0         | 27.7         | 26.0         |
| Sdiptech Ab (Publ)                   | 3.7         | 3.2         | 2.8         | 16.7         | 13.9         | 12.2        | 21.9         | 17.9         | 15.5         | 24.7         | 20.1         | 17.5         |
| Volati Ab                            | 1.7         | 1.5         | 1.5         | 13.1         | 11.6         | 10.9        | 19.0         | 16.2         | 15.1         | 22.0         | 18.9         | 17.5         |
| <b>Compounders average</b>           | <b>2.6</b>  | <b>2.4</b>  | <b>2.2</b>  | <b>15.3</b>  | <b>13.9</b>  | <b>12.9</b> | <b>20.7</b>  | <b>18.6</b>  | <b>17.2</b>  | <b>26.1</b>  | <b>24.4</b>  | <b>22.6</b>  |
| <b>Compounders median</b>            | <b>2.7</b>  | <b>2.5</b>  | <b>2.3</b>  | <b>16.0</b>  | <b>14.2</b>  | <b>12.3</b> | <b>21.6</b>  | <b>18.7</b>  | <b>16.9</b>  | <b>26.5</b>  | <b>26.6</b>  | <b>25.0</b>  |
| <b>Total average</b>                 | <b>2.0</b>  | <b>1.9</b>  | <b>1.9</b>  | <b>12.0</b>  | <b>11.0</b>  | <b>10.7</b> | <b>15.7</b>  | <b>14.3</b>  | <b>13.9</b>  | <b>19.4</b>  | <b>17.7</b>  | <b>17.5</b>  |
| <b>Total median</b>                  | <b>1.8</b>  | <b>1.7</b>  | <b>1.8</b>  | <b>12.3</b>  | <b>11.6</b>  | <b>11.1</b> | <b>14.1</b>  | <b>13.0</b>  | <b>12.7</b>  | <b>17.3</b>  | <b>15.9</b>  | <b>14.9</b>  |
| <b>Total average (70%/30%)</b>       | <b>1.7</b>  | <b>1.6</b>  | <b>1.7</b>  | <b>10.0</b>  | <b>9.3</b>   | <b>8.9</b>  | <b>12.6</b>  | <b>11.7</b>  | <b>11.2</b>  | <b>14.7</b>  | <b>13.7</b>  | <b>13.4</b>  |
| <b>Total median (70%/30%)</b>        | <b>1.5</b>  | <b>1.4</b>  | <b>1.5</b>  | <b>10.4</b>  | <b>9.3</b>   | <b>8.6</b>  | <b>13.9</b>  | <b>12.4</b>  | <b>11.8</b>  | <b>15.0</b>  | <b>14.4</b>  | <b>15.3</b>  |
| <b>Relais (Nordea)</b>               | <b>2.3</b>  | <b>1.5</b>  | <b>1.3</b>  | <b>18.0</b>  | <b>11.9</b>  | <b>9.6</b>  | <b>34.0</b>  | <b>23.1</b>  | <b>14.0</b>  | <b>63.8</b>  | <b>39.8</b>  | <b>19.1</b>  |
| <b>difference to weighted median</b> | <b>55%</b>  | <b>7%</b>   | <b>-9%</b>  | <b>73%</b>   | <b>28%</b>   | <b>12%</b>  | <b>144%</b>  | <b>86%</b>   | <b>19%</b>   | <b>325%</b>  | <b>177%</b>  | <b>25%</b>   |

Source: Refinitiv and Nordea estimates



### EV/EBITDA-based valuation of EUR 17.9-21.9 per share

Based on our EUR 44m EBITDA estimate for 2023 and an accepted valuation multiple range of 9.6-11.4x (midpoint: 10.5x), we arrive at a fair value range of EUR 17.9-21.9 (19.9-24.3) 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 9.3x for 2023E.

### P/E-based valuation of EUR 20.3-24.8 per share

Using a EUR 1.71 amortisation-adjusted EPS estimate for 2023, we arrive at a fair value range of EUR 20.3-24.8 (23.1-28.2) per share using P/E multiples of 13.1-16.0x (midpoint: 14.5x).

### DCF-based valuation of EUR 21.4-26.2 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 4.3% for 2022-27, 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 13.5% in the long run. We use a 4% cost of debt in our DCF model, as the current level is unlikely to persist in the long term. We also assign a long-term equity weight of 50%.

| WACC COMPONENTS             |                 |
|-----------------------------|-----------------|
| <b>WACC components</b>      |                 |
| Risk-free interest rate     | 2.5%            |
| 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              | 8.6-11%         |
| Cost of debt                | 4.0%            |
| Tax-rate used in WACC       | 30%             |
| Equity weight               | 50%             |
| <b>WACC</b>                 | <b>5.7-6.9%</b> |

Source: Nordea estimates

| DCF VALUATION                    |                |                  |
|----------------------------------|----------------|------------------|
| DCF value                        | Value          | Per share        |
| NPV FCFF                         | 477-567        | 25.2-30          |
| (Net debt)                       | -87            | -4.6             |
| 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                       | 15             | 0.8              |
| <b>DCF Value</b>                 | <b>405-495</b> | <b>21.4-26.2</b> |

Source: Nordea estimates

### DCF ASSUMPTIONS

| Averages and assumptions          | 2022-27 | 2028-32 | 2033-37 | 2038-42 | 2043-47 | 2048-52 | Sust. |
|-----------------------------------|---------|---------|---------|---------|---------|---------|-------|
| Sales growth, CAGR                | 4.3%    | 2.5%    | 2.5%    | 2.5%    | 2.5%    | 2.5%    | 2.5%  |
| EBIT-margin, excluding associates | 10.5%   | 13.5%   | 13.5%   | 13.5%   | 13.5%   | 13.5%   | 1.9%  |
| Capex/depreciation, x             | 0.2     | 0.2     | 1.0     | 1.0     | 1.0     | 1.0     |       |
| Capex/sales                       | 0.8%    | 0.8%    | 0.8%    | 0.8%    | 0.8%    | 0.8%    |       |
| NWC/sales                         | 25%     | 25%     | 25%     | 25%     | 25%     | 25%     |       |
| FCFF, CAGR                        | 23.2%   | 4.2%    | 2.5%    | 2.5%    | 2.5%    | -43.0%  | 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  $\pm 0.5$  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 21.1-27.1 per share.

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

|                    |        | WACC |      |      |      |      |
|--------------------|--------|------|------|------|------|------|
|                    |        | 5.3% | 5.8% | 6.3% | 6.8% | 7.3% |
| EBIT margin change | +1.0pp | 31.4 | 28.5 | 26.2 | 24.1 | 22.4 |
|                    | +0.5pp | 29.7 | 27.1 | 25.0 | 23.1 | 21.5 |
|                    |        | 27.9 | 25.7 | 23.8 | 22.1 | 20.6 |
|                    | -0.5pp | 26.2 | 24.3 | 22.6 | 21.1 | 19.7 |
|                    | -1.0pp | 24.5 | 22.9 | 21.4 | 20.1 | 18.9 |

|                     |        | WACC |      |      |      |      |
|---------------------|--------|------|------|------|------|------|
|                     |        | 5.3% | 5.8% | 6.3% | 6.8% | 7.3% |
| Sales growth change | +1.0pp | 29.7 | 27.2 | 25.1 | 23.3 | 21.6 |
|                     | +0.5pp | 28.8 | 26.5 | 24.5 | 22.7 | 21.1 |
|                     |        | 27.9 | 25.7 | 23.8 | 22.1 | 20.6 |
|                     | -0.5pp | 27.1 | 25.0 | 23.2 | 21.6 | 20.1 |
|                     | -1.0pp | 26.4 | 24.4 | 22.6 | 21.1 | 19.7 |

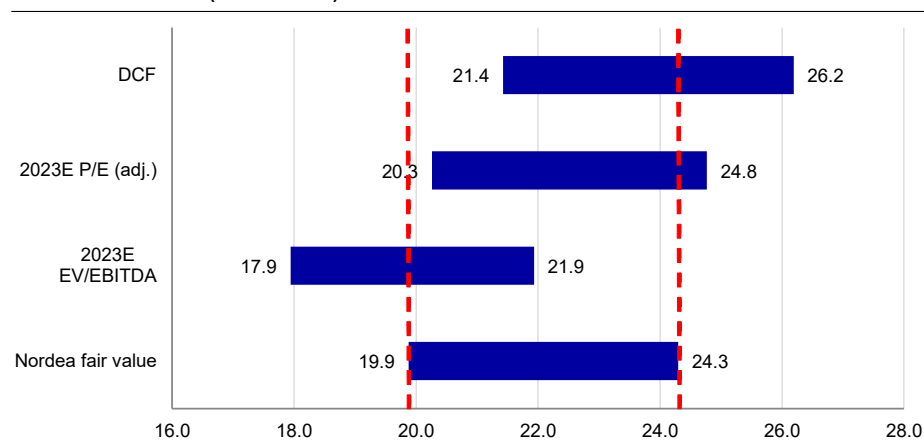
  

|                    |        | Sales growth change |        |      |        |        |
|--------------------|--------|---------------------|--------|------|--------|--------|
|                    |        | -1.0pp              | -0.5pp |      | +0.5pp | +1.0pp |
| EBIT margin change | +1.0pp | 24.7                | 25.4   | 26.2 | 27.0   | 27.9   |
|                    | +0.5pp | 23.6                | 24.3   | 25.0 | 25.7   | 26.5   |
|                    |        | 22.6                | 23.2   | 23.8 | 24.5   | 25.1   |
|                    | -0.5pp | 21.6                | 22.1   | 22.6 | 23.2   | 23.7   |
|                    | -1.0pp | 20.6                | 21.0   | 21.4 | 21.9   | 22.4   |

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 19.9-24.3 (22.0-26.9) 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 ESTIMATES

| EURm                                 | Q1 21       | Q2 21       | Q3 21       | Q4 21       | Q1 22       | Q2 22E      | Q3 22E      | Q4 22E      | 2018        | 2019        | 2020        | 2021         | 2022E        | 2023E        | 2024E        |      |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|------|
| <b>Net sales</b>                     | <b>54</b>   | <b>52</b>   | <b>59</b>   | <b>74</b>   | <b>62</b>   | <b>60</b>   | <b>68</b>   | <b>79</b>   | <b>72</b>   | <b>99</b>   | <b>129</b>  | <b>238</b>   | <b>269</b>   | <b>289</b>   | <b>299</b>   |      |
| Sales growth                         | 80%         | 79%         | 79%         | 97%         | 16%         | 16%         | 16%         | 7%          | 20%         | 37%         | 30%         | 85%          | 13%          | 7%           | 4%           |      |
| of which organic                     | 9%          | 9%          | 9%          | 9%          | -9%         | 0%          | 2%          | 2%          | 10%         | 2%          | 3%          | 9%           | -1%          | 6%           | 4%           |      |
| of which FX                          | 3%          | 2%          | 1%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | -1%         | 1%          | 1%           | 0%           | 0%           | 0%           |      |
| of which structural                  | 68%         | 67%         | 69%         | 88%         | 25%         | 16%         | 14%         | 5%          | 10%         | 36%         | 27%         | 74%          | 15%          | 1%           | 0%           |      |
| Other operating income               | 0.9         | 0.7         | 0.5         | 0.9         | 0.7         | 0.5         | 0.5         | 0.5         | 0.4         | 0.5         | 1.0         | 3.1          | 2.2          | 2.2          | 2.2          |      |
| Materials and services               | -32         | -30         | -33         | -42         | -34         | -34         | -38         | -45         | -48         | -66         | -84         | -137         | -150         | -160         | -166         |      |
| <b>Gross profit</b>                  | <b>21.3</b> | <b>21.8</b> | <b>25.9</b> | <b>31.8</b> | <b>27.9</b> | <b>26.6</b> | <b>30.0</b> | <b>34.4</b> | <b>24.3</b> | <b>33.1</b> | <b>45.0</b> | <b>100.8</b> | <b>118.8</b> | <b>128.8</b> | <b>133.6</b> |      |
| Gross margin %                       | 39.9%       | 41.7%       | 44.1%       | 43.3%       | 45.0%       | 44.0%       | 44.2%       | 43.5%       | 33.6%       | 33.4%       | 34.9%       | 42.4%        | 44.1%        | 44.5%        | 44.6%        |      |
| Staff costs                          | -9          | -11         | -10         | -14         | -14         | -13         | -13         | -15         | -10         | -12         | -17         | -45          | -55          | -59          | -61          |      |
| Other operating costs                | -5          | -6          | -7          | -9          | -8          | -7          | -7          | -9          | -6          | -8          | -10         | -28          | -32          | -32          | -31          |      |
| <b>EBITDA</b>                        | <b>7.6</b>  | <b>5.4</b>  | <b>8.7</b>  | <b>9.3</b>  | <b>6.6</b>  | <b>6.7</b>  | <b>10.4</b> | <b>10.5</b> | <b>8.7</b>  | <b>13.3</b> | <b>19.1</b> | <b>31.0</b>  | <b>34.2</b>  | <b>40.5</b>  | <b>44.0</b>  |      |
| EBITDA margin %                      | 14.3%       | 10.3%       | 14.8%       | 12.6%       | 10.7%       | 11.0%       | 15.3%       | 13.3%       | 12.1%       | 13.5%       | 14.8%       | 13.0%        | 12.7%        | 14.0%        | 14.7%        |      |
| D&A                                  | -3.1        | -3.9        | -3.7        | -3.9        | -4.1        | -4.1        | -4.2        | -4.2        | -3.0        | -5.5        | -8.0        | -14.6        | -16.6        | -12.5        | -12.6        |      |
| of which depreciations               | -0.3        | -0.6        | -0.4        | -0.5        | -0.5        | -0.5        | -0.5        | -0.6        | -0.3        | -0.4        | -0.4        | -1.7         | -2.1         | -2.1         | -2.2         |      |
| of which amortizations               | -2.8        | -3.3        | -3.3        | -3.4        | -3.6        | -3.6        | -3.7        | -3.7        | -2.7        | -5.1        | -7.6        | -12.9        | -14.5        | -10.4        | -10.4        |      |
| EBITA                                | 7.4         | 4.8         | 8.3         | 8.8         | 6.1         | 6.1         | 9.8         | 10.0        | 8.4         | 13.0        | 18.7        | 29.3         | 32.1         | 38.3         | 41.8         |      |
| NRI                                  | 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          | 0.0          |      |
| <b>Adj. EBITA</b>                    | <b>7.4</b>  | <b>4.8</b>  | <b>8.3</b>  | <b>8.8</b>  | <b>6.1</b>  | <b>6.1</b>  | <b>9.8</b>  | <b>10.0</b> | <b>8.4</b>  | <b>13.0</b> | <b>18.7</b> | <b>29.3</b>  | <b>32.1</b>  | <b>38.3</b>  | <b>41.8</b>  |      |
| Adj. EBITA margin %                  | 13.8%       | 9.2%        | 14.2%       | 11.9%       | 9.9%        | 10.1%       | 14.5%       | 12.6%       | 11.6%       | 13.1%       | 14.5%       | 12.3%        | 11.9%        | 13.3%        | 14.0%        |      |
| -growth y/y                          | 131%        | 12%         | 53%         | 52%         | -17%        | 28%         | 18%         | 14%         | 4%          | 55%         | 44%         | 56%          | 10%          | 19%          | 9%           |      |
| <b>EBITA Bridge</b>                  |             |             |             |             |             |             |             |             |             |             |             |              | <b>2.8</b>   | <b>6.2</b>   | <b>3.5</b>   |      |
| Organic                              |             |             |             |             |             |             |             |             |             |             |             |              |              | -0.9         | 7.7          | 4.8  |
| FX                                   |             |             |             |             |             |             |             |             |             |             |             |              |              | 0.0          | 0.0          | 0.0  |
| Structural                           |             |             |             |             |             |             |             |             |             |             |             |              |              | 4.2          | 0.4          | 0.0  |
| Cost vs price                        |             |             |             |             |             |             |             |             |             |             |             |              |              | -0.5         | -1.9         | -1.3 |
| <b>EBIT</b>                          | <b>4.6</b>  | <b>1.5</b>  | <b>5.0</b>  | <b>5.3</b>  | <b>2.5</b>  | <b>2.6</b>  | <b>6.2</b>  | <b>6.3</b>  | <b>5.7</b>  | <b>7.9</b>  | <b>11.1</b> | <b>16.4</b>  | <b>17.6</b>  | <b>27.9</b>  | <b>31.5</b>  |      |
| EBIT margin %                        | 8.6%        | 2.9%        | 8.5%        | 7.2%        | 4.1%        | 4.2%        | 9.1%        | 8.0%        | 7.9%        | 7.9%        | 8.6%        | 6.9%         | 6.5%         | 9.7%         | 10.5%        |      |
| Net financials                       | -1.4        | -0.2        | -0.8        | -0.9        | -0.9        | -0.7        | -0.7        | -0.7        | -0.9        | -5.4        | -0.7        | -3.3         | -3.0         | -2.9         | -2.9         |      |
| PTP                                  | 3.2         | 1.3         | 4.2         | 4.4         | 1.7         | 1.9         | 5.5         | 5.6         | 4.8         | 2.5         | 10.4        | 13.1         | 14.6         | 25.0         | 28.6         |      |
| Tax                                  | -1.3        | -1.0        | -1.8        | -1.3        | -1.3        | -1.1        | -1.8        | -1.9        | -1.5        | -1.9        | -3.4        | -5.3         | -6.1         | -7.4         | -8.2         |      |
| Minority interest                    | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | -0.2        | -0.2        | -0.1        | -0.1         | -0.1         | 0.0          | 0.0          |      |
| <b>Net profit for equity</b>         | <b>1.9</b>  | <b>0.4</b>  | <b>2.4</b>  | <b>3.1</b>  | <b>0.4</b>  | <b>0.7</b>  | <b>3.6</b>  | <b>3.7</b>  | <b>3.1</b>  | <b>0.4</b>  | <b>6.9</b>  | <b>7.7</b>   | <b>8.5</b>   | <b>17.6</b>  | <b>20.4</b>  |      |
| Net profit                           | 2.0         | 0.4         | 2.4         | 3.1         | 0.4         | 0.8         | 3.6         | 3.8         | 3.3         | 0.6         | 7.0         | 7.8          | 8.6          | 17.6         | 20.4         |      |
| EPS (undiluted)                      | 0.11        | 0.02        | 0.13        | 0.17        | 0.02        | 0.04        | 0.20        | 0.21        | 0.36        | 0.03        | 0.41        | 0.43         | 0.47         | 0.98         | 1.13         |      |
| <b>Adj. EPS (excl. amortization)</b> | <b>0.26</b> | <b>0.20</b> | <b>0.32</b> | <b>0.36</b> | <b>0.22</b> | <b>0.24</b> | <b>0.40</b> | <b>0.41</b> | <b>0.67</b> | <b>0.75</b> | <b>0.87</b> | <b>1.15</b>  | <b>1.27</b>  | <b>1.55</b>  | <b>1.71</b>  |      |
| DPS                                  |             |             |             |             |             |             |             |             |             | 0.10        | 0.30        | 0.36         | 0.40         | 0.47         | 0.52         |      |

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. The COVID-19 situation also continues to create uncertainty regarding consumer behaviour and the availability of goods.

|  |   |
|--|---|
| 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 easing of COVID-19-related restrictions, 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's 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>Dependency on suppliers</b></p> <p>As Relais is importing its goods and not producing 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 solved yet. A prolonged situation could hamper demand for Relais's 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's 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>Dependency 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 – for example, if the company switches to IFRS accounting standards – 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                                 | 2014        | 2015        | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        | 2022E       | 2023E       | 2024E       |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Total revenue</b>                 | <b>42</b>   | <b>54</b>   | <b>59</b>   | <b>60</b>   | <b>72</b>   | <b>99</b>   | <b>129</b>  | <b>238</b>  | <b>269</b>  | <b>289</b>  | <b>299</b>  |
| Revenue growth                       | 31.3%       | 28.6%       | 9.1%        | 2.6%        | 19.9%       | 36.6%       | 30.3%       | 84.5%       | 13.2%       | 7.4%        | 3.5%        |
| of which organic                     | 7.0%        | 8.8%        | 9.5%        | -0.8%       | 9.5%        | 2.0%        | 3.0%        | 9.1%        | -0.9%       | 6.0%        | 3.5%        |
| of which FX                          | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.0%        | -1.1%       | 0.7%        | 1.4%        | -0.1%       | 0.0%        | 0.0%        |
| EBITDA                               | 0           | 0           | 9           | 8           | 9           | 13          | 19          | 31          | 34          | 40          | 44          |
| Depreciation and impairments PPE     | 0           | 0           | 0           | 0           | 0           | 0           | 0           | -2          | -2          | -2          | -2          |
| of which leased assets               | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| EBITA                                | 0           | 0           | 9           | 8           | 8           | 13          | 19          | 29          | 32          | 38          | 42          |
| Amortisation and impairments         | 0           | 0           | -2          | -2          | -3          | -5          | -8          | -13         | -14         | -10         | -10         |
| EBIT                                 | n.a.        | n.a.        | 7           | 6           | 6           | 8           | 11          | 16          | 18          | 28          | 31          |
| 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           | 0           | -1          | -1          | -1          | -5          | -1          | -3          | -3          | -3          | -3          |
| of which lease interest              | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Changes in value, net                | 0           | 0           | -2          | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>Pre-tax profit</b>                | <b>0</b>    | <b>0</b>    | <b>4</b>    | <b>5</b>    | <b>5</b>    | <b>2</b>    | <b>10</b>   | <b>13</b>   | <b>15</b>   | <b>25</b>   | <b>29</b>   |
| Reported taxes                       | 0           | 0           | -1          | -1          | -2          | -2          | -3          | -5          | -6          | -7          | -8          |
| Net profit from continued operations | 0           | 0           | 3           | 4           | 3           | 1           | 7           | 8           | 9           | 18          | 20          |
| Discontinued operations              | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Minority interests                   | 0           | 0           | -1          | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Net profit to equity                 | 0           | 0           | 2           | 4           | 3           | 0           | 7           | 8           | 8           | 18          | 20          |
| <b>EPS, EUR</b>                      | <b>n.a.</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>0.41</b> | <b>0.45</b> | <b>0.94</b> | <b>1.09</b> |
| DPS, EUR                             | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.10        | 0.30        | 0.36        | 0.40        | 0.47        | 0.52        |
| of which ordinary                    | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | 0.10        | 0.30        | 0.36        | 0.40        | 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% | 0.0% | 15.2% | 13.8% | 12.1% | 13.5% | 14.8% | 13.0% | 12.7% | 14.0% | 14.7% |
| EBITA  | 0.0% | 0.0% | 14.5% | 13.4% | 11.6% | 13.1% | 14.5% | 12.3% | 11.9% | 13.3% | 14.0% |
| EBIT   | n.a. | n.a. | 11.6% | 10.2% | 7.9%  | 7.9%  | 8.6%  | 6.9%  | 6.5%  | 9.7%  | 10.5% |

## Adjusted earnings

|                |      |      |      |      |      |      |      |      |      |      |      |
|----------------|------|------|------|------|------|------|------|------|------|------|------|
| EBITDA (adj)   | 0    | 0    | 11   | 8    | 9    | 13   | 19   | 31   | 34   | 40   | 44   |
| EBITA (adj)    | 0    | 0    | 10   | 8    | 8    | 13   | 19   | 29   | 32   | 38   | 42   |
| EBIT (adj)     | 0    | 0    | 8    | 6    | 6    | 8    | 11   | 16   | 18   | 28   | 31   |
| EPS (adj, EUR) | n.a. | n.a. | 0.40 | 0.42 | 0.34 | 0.29 | 0.39 | 0.41 | 0.45 | 0.94 | 1.09 |

## Adjusted profit margins in percent

|              |      |      |       |       |       |       |       |       |       |       |       |
|--------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA (adj) | 0.0% | 0.0% | 18.0% | 13.8% | 12.1% | 13.5% | 14.8% | 13.0% | 12.7% | 14.0% | 14.7% |
| EBITA (adj)  | 0.0% | 0.0% | 17.3% | 13.4% | 11.6% | 13.1% | 14.5% | 12.3% | 11.9% | 13.3% | 14.0% |
| EBIT (adj)   | 0.0% | 0.0% | 14.4% | 10.2% | 7.9%  | 7.9%  | 8.6%  | 6.9%  | 6.5%  | 9.7%  | 10.5% |

## Performance metrics

|                       |      |       |       |       |       |       |       |       |       |       |        |
|-----------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| CAGR last 5 years     |      |       |       |       |       |       |       |       |       |       |        |
| Net revenue           | n.a. | 17.6% | 16.0% | 14.3% | 17.8% | 18.7% | 19.0% | 32.2% | 34.8% | 31.9% | 24.8%  |
| EBITDA                | n.m. | n.m.  | n.m.  | n.m.  | n.m.  | n.m.  | n.m.  | 28.2% | 32.6% | 35.9% | 27.0%  |
| EBIT                  | n.a. | n.a.  | n.a.  | n.a.  | n.a.  | n.a.  | n.a.  | 19.2% | 23.4% | 37.3% | 32.0%  |
| EPS                   | n.a. | n.a.  | n.a.  | n.a.  | n.a.  | n.a.  | n.a.  | 13.6% | 1.7%  | 22.5% | 103.4% |
| DPS                   | n.m. | n.m.  | n.m.  | n.m.  | n.m.  | n.m.  | n.m.  | n.m.  | n.m.  | n.m.  | 39.1%  |
| Average last 5 years  |      |       |       |       |       |       |       |       |       |       |        |
| Average EBIT margin   | n.a. | n.a.  | n.a.  | n.a.  | n.a.  | n.a.  | n.a.  | 9.0%  | 7.9%  | 7.3%  | 8.5%   |
| Average EBITDA margin | 0.0% | 0.0%  | 4.1%  | 7.0%  | 9.0%  | 11.4% | 13.9% | 13.4% | 13.2% | 13.5% | 13.8%  |

## VALUATION RATIOS - ADJUSTED EARNINGS

| EURm            | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|-----------------|------|------|------|------|------|------|------|------|-------|-------|-------|
| P/E (adj)       | n.a. | n.a. | n.a. | n.a. | n.a. | 28.0 | 37.9 | 63.8 | 39.8  | 19.1  | 16.5  |
| EV/EBITDA (adj) | n.a. | n.a. | n.a. | n.a. | n.a. | 10.2 | 15.3 | 18.7 | 12.2  | 10.0  | 8.7   |
| EV/EBITA (adj)  | n.a. | n.a. | n.a. | n.a. | n.a. | 10.5 | 15.6 | 19.8 | 13.0  | 10.5  | 9.2   |
| EV/EBIT (adj)   | n.a. | n.a. | n.a. | n.a. | n.a. | 17.3 | 26.3 | 35.2 | 23.8  | 14.4  | 12.2  |

## VALUATION RATIOS - REPORTED EARNINGS

| EURm                         | 2014 | 2015 | 2016 | 2017 | 2018 | 2019   | 2020  | 2021  | 2022E | 2023E | 2024E |
|------------------------------|------|------|------|------|------|--------|-------|-------|-------|-------|-------|
| P/E                          | n.a. | n.a. | n.a. | n.a. | n.a. | n.m.   | 37.9  | 63.8  | 39.8  | 19.1  | 16.5  |
| EV/Sales                     | n.a. | n.a. | n.a. | n.a. | n.a. | 1.37   | 2.26  | 2.43  | 1.55  | 1.39  | 1.28  |
| EV/EBITDA                    | n.a. | n.a. | n.a. | n.a. | n.a. | 10.2   | 15.3  | 18.7  | 12.2  | 10.0  | 8.7   |
| EV/EBITA                     | n.a. | n.a. | n.a. | n.a. | n.a. | 10.5   | 15.6  | 19.8  | 13.0  | 10.5  | 9.2   |
| EV/EBIT                      | n.a. | n.a. | n.a. | n.a. | n.a. | 17.3   | 26.3  | 35.2  | 23.8  | 14.4  | 12.2  |
| Dividend yield (ord.)        | n.a. | n.a. | n.a. | n.a. | n.a. | 1.2%   | 2.0%  | 1.4%  | 2.2%  | 2.6%  | 2.9%  |
| FCF yield                    | n.a. | n.a. | n.a. | n.a. | n.a. | -61.8% | 2.9%  | 0.4%  | 3.4%  | 6.8%  | 8.4%  |
| FCF Yield bef A&D, lease adj | n.a. | n.a. | n.a. | n.a. | n.a. | 1.4%   | 6.1%  | 0.4%  | 6.2%  | 6.8%  | 8.4%  |
| Payout ratio                 | n.a. | n.a. | 0.0% | 0.0% | 0.0% | 33.9%  | 77.4% | 87.3% | 88.5% | 50.0% | 47.7% |

Source: Company data and Nordea estimates

**BALANCE SHEET**

| EURm                                  | 2014     | 2015     | 2016      | 2017      | 2018      | 2019       | 2020       | 2021       | 2022E      | 2023E      | 2024E      |
|---------------------------------------|----------|----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|
| Intangible assets                     | 0        | 0        | 5         | 7         | 5         | 54         | 59         | 112        | 107        | 96         | 86         |
| of which R&D                          | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 0          | 0          | 0          | 0          |
| of which other intangibles            | 0        | 0        | 0         | 0         | 0         | 1          | 0          | 2          | 2          | 2          | 2          |
| of which goodwill                     | 0        | 0        | 5         | 7         | 5         | 54         | 58         | 110        | 105        | 95         | 84         |
| Tangible assets                       | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 4          | 4          | 4          | 4          |
| of which leased assets                | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 0          | 0          | 0          | 0          |
| 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          | 0          | 0          | 0          | 0          | 0          |
| 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        | 0        | 5         | 7         | 5         | 54         | 59         | 116        | 111        | 101        | 90         |
| Inventory                             | 0        | 0        | 26        | 27        | 29        | 43         | 44         | 73         | 82         | 88         | 91         |
| Accounts receivable                   | 0        | 0        | 5         | 8         | 8         | 12         | 13         | 27         | 30         | 33         | 34         |
| Short-term leased assets              | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 0          | 0          | 0          | 0          |
| Other current assets                  | 0        | 0        | 3         | 1         | 2         | 3          | 3          | 7          | 8          | 8          | 9          |
| Cash and bank                         | 0        | 0        | 1         | 2         | 2         | 30         | 35         | 12         | 7          | 8          | 12         |
| Total current assets                  | 0        | 0        | 35        | 37        | 42        | 88         | 95         | 119        | 127        | 137        | 146        |
| Assets held for sale                  | 0        | 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>0</b> | <b>40</b> | <b>44</b> | <b>47</b> | <b>142</b> | <b>154</b> | <b>235</b> | <b>238</b> | <b>237</b> | <b>236</b> |
| Shareholders equity                   | 0        | 0        | 6         | 11        | 17        | 64         | 72         | 89         | 91         | 101        | 113        |
| 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        | 0        | 3         | 3         | 1         | 0          | 0          | 0          | 1          | 1          | 1          |
| Total Equity                          | 0        | 0        | 9         | 14        | 17        | 64         | 72         | 89         | 91         | 102        | 114        |
| Deferred tax                          | 0        | 0        | 0         | 0         | 0         | 2          | 3          | 3          | 3          | 3          | 3          |
| Long term interest bearing debt       | 0        | 0        | 15        | 11        | 14        | 59         | 58         | 91         | 81         | 66         | 51         |
| 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        | 0        | 3         | 0         | 2         | 0          | 0          | 2          | 2          | 2          | 2          |
| Non-current lease debt                | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 0          | 0          | 0          | 0          |
| 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        | 0        | 18        | 12        | 16        | 62         | 61         | 96         | 86         | 71         | 56         |
| Short-term provisions                 | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 0          | 0          | 0          | 0          |
| Accounts payable                      | 0        | 0        | 3         | 4         | 4         | 7          | 9          | 15         | 23         | 25         | 25         |
| Current lease debt                    | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 0          | 0          | 0          | 0          |
| Other current liabilities             | 0        | 0        | 3         | 4         | 5         | 6          | 8          | 27         | 31         | 33         | 34         |
| Short term interest bearing debt      | 0        | 0        | 8         | 12        | 6         | 5          | 5          | 8          | 8          | 8          | 8          |
| Total current liabilities             | 0        | 0        | 14        | 19        | 15        | 18         | 21         | 50         | 61         | 65         | 67         |
| 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>0</b> | <b>40</b> | <b>45</b> | <b>48</b> | <b>143</b> | <b>155</b> | <b>235</b> | <b>238</b> | <b>237</b> | <b>236</b> |
| <b>Balance sheet and debt metrics</b> |          |          |           |           |           |            |            |            |            |            |            |
| Net debt                              | 0        | 0        | 22        | 22        | 18        | 35         | 28         | 87         | 82         | 66         | 46         |
| of which lease debt                   | 0        | 0        | 0         | 0         | 0         | 0          | 0          | 0          | 0          | 0          | 0          |
| Working capital                       | 0        | 0        | 28        | 28        | 31        | 46         | 44         | 64         | 67         | 72         | 74         |
| Invested capital                      | 0        | 0        | 33        | 35        | 36        | 100        | 103        | 180        | 178        | 172        | 164        |
| Capital employed                      | 0        | 0        | 32        | 37        | 37        | 128        | 135        | 188        | 180        | 175        | 172        |
| ROE                                   | n.m.     | n.m.     | 64.1%     | 44.7%     | 22.7%     | 1.0%       | 10.2%      | 9.6%       | 9.4%       | 18.3%      | 19.1%      |
| ROIC                                  | n.m.     | n.m.     | 35.9%     | 12.6%     | 11.3%     | 8.1%       | 7.7%       | 8.1%       | 6.9%       | 11.2%      | 13.1%      |
| ROCE                                  | n.m.     | n.m.     | 53.4%     | 17.9%     | 15.7%     | 9.6%       | 10.1%      | 10.9%      | 9.9%       | 16.0%      | 18.4%      |
| Net debt/EBITDA                       | n.m.     | n.m.     | 2.5       | 2.6       | 2.0       | 2.6        | 1.5        | 2.8        | 2.4        | 1.6        | 1.0        |
| Interest coverage                     | n.a.     | n.a.     | n.m.      | n.m.      | n.m.      | n.m.       | n.m.       | n.m.       | n.m.       | n.m.       | n.m.       |
| Equity ratio                          | n.m.     | n.m.     | 15.2%     | 23.8%     | 34.7%     | 44.5%      | 46.5%      | 37.8%      | 38.1%      | 42.6%      | 47.8%      |
| Net gearing                           | n.m.     | n.m.     | 244.3%    | 152.2%    | 102.0%    | 54.3%      | 39.1%      | 97.1%      | 89.3%      | 64.7%      | 40.6%      |

Source: Company data and Nordea estimates

**CASH FLOW STATEMENT**

| EURm                                   | 2014     | 2015     | 2016     | 2017     | 2018     | 2019      | 2020      | 2021      | 2022E     | 2023E     | 2024E     |
|--|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>EBITDA (adj) for associates</b>     | <b>0</b> | <b>0</b> | <b>9</b> | <b>8</b> | <b>9</b> | <b>13</b> | <b>19</b> | <b>31</b> | <b>34</b> | <b>40</b> | <b>44</b> |
| Paid taxes                             | 0        | 0        | 0        | 0        | -2       | -2        | -3        | -5        | -6        | -7        | -8        |
| Net financials                         | 0        | 0        | 0        | 0        | -1       | -6        | -1        | -3        | -3        | -3        | -3        |
| Change in provisions                   | 0        | 0        | 0        | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         |
| Change in other LT non-IB              | 0        | 0        | 3        | -3       | 2        | -2        | 0         | 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        | 0        | -11      | -6       | -2       | 1         | 0         | -1        | 0         | 0         | 0         |
| <b>Funds from operations (FFO)</b>     | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>6</b> | <b>5</b>  | <b>15</b> | <b>22</b> | <b>25</b> | <b>30</b> | <b>33</b> |
| Change in NWC                          | 0        | 0        | 0        | 0        | -2       | -3        | 1         | -20       | -2        | -5        | -3        |
| <b>Cash flow from operations (CFO)</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>3</b> | <b>2</b>  | <b>16</b> | <b>2</b>  | <b>23</b> | <b>25</b> | <b>30</b> |
| Capital expenditure                    | 0        | 0        | 0        | 0        | 0        | 0         | 0         | 0         | -2        | -2        | -2        |
| <b>Free cash flow before A&amp;D</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>3</b> | <b>1</b>  | <b>16</b> | <b>2</b>  | <b>21</b> | <b>23</b> | <b>28</b> |
| Proceeds from sale of assets           | 0        | 0        | 0        | 0        | 0        | 1         | 1         | 0         | 0         | 0         | 0         |
| Acquisitions                           | 0        | 0        | 0        | 0        | -1       | -65       | -9        | 0         | -10       | 0         | 0         |
| Free cash flow                         | 0        | 0        | 0        | 0        | 2        | -63       | 8         | 2         | 11        | 23        | 28        |
| Free cash flow bef A&D, lease adj      | 0        | 0        | 0        | 0        | 3        | 1         | 16        | 2         | 21        | 23        | 28        |
| Dividends paid                         | 0        | 0        | 0        | 0        | 0        | 0         | -2        | 0         | -6        | -7        | -8        |
| Equity issues / buybacks               | 0        | 0        | 0        | 0        | 0        | 44        | 0         | 1         | 0         | 0         | 0         |
| Net change in debt                     | 0        | 0        | 0        | 0        | 0        | 42        | -1        | 0         | -10       | -15       | -15       |
| Other financing adjustments            | 0        | 0        | 0        | 0        | 0        | 0         | 0         | 0         | 0         | 0         | 0         |
| Other non-cash adjustments             | 0        | 0        | 1        | 1        | -2       | 4         | 0         | -26       | 0         | 0         | 0         |
| Change in cash                         | 0        | 0        | 1        | 1        | 1        | 27        | 5         | -23       | -5        | 1         | 5         |
| <b>Cash flow metrics</b>               |          |          |          |          |          |           |           |           |           |           |           |
| Capex/D&A                              | n.m.     | n.m.     | 0.0%     | 0.0%     | 6.9%     | 7.3%      | 0.0%      | 0.0%      | 12.5%     | 17.4%     | 18.2%     |
| Capex/Sales                            | 0.0%     | 0.0%     | 0.0%     | 0.0%     | 0.3%     | 0.4%      | 0.0%      | 0.0%      | 0.8%      | 0.8%      | 0.8%      |
| <b>Key information</b>                 |          |          |          |          |          |           |           |           |           |           |           |
| Share price year end (/current)        | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     | 8         | 15        | 26        | 18        | 18        | 18        |
| Market cap.                            | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     | 101       | 263       | 492       | 336       | 336       | 336       |
| Enterprise value                       | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     | 136       | 292       | 579       | 419       | 403       | 383       |
| Diluted no. of shares, year-end (m)    | 0.0      | 0.0      | 9.1      | 9.1      | 9.1      | 12.3      | 17.9      | 18.7      | 18.7      | 18.7      | 18.7      |

Source: Company data and Nordea estimates



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**Completion Date**

12 May 2022, 19:33 CET

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