

11 August 2022

## Commissioned research: Relais Group Oyj – Market remains volatile

Marketing material commissioned by Relais Group Oyj

Relais reported Q2 headline figures in line with its pre-release that was given in conjunction with the profit warning on 8 August. Q2 adjusted EBITA was EUR 3.7m with net sales of EUR 58.6m. Reported EBIT was EUR 0.0m in Q2. The wholesale market has recovered although it seems that the situation remains volatile ahead of the important lighting season. In addition, the company has been affected by the lack of mechanics, which was the main bottleneck in workshops. The company has started operational efficiency program in order to improve working capital efficiency and to accelerate synergy benefit recognition. On a positive note, pricing actions have been successful and the company was able to improve its gross margin from Q1. We note that the current balance sheet situation most likely allows only bolt-on acquisitions, while larger acquisitions could require additional equity component.

### RELAIS GROUP OYJ: DEVIATION TABLE VERSUS PRE-PROFIT WARNING EXPECTATIONS

EURm	Actual Q2 2022	NDA est. Q2 2022	Deviation vs. actual	Consensus Q2 2022	Deviation vs. actual	Actual Q1 2022	q/q	Actual Q2 2021	y/y
<b>Sales</b>	<b>58.6</b>	<b>60.5</b>	<b>-2</b>	<b>62.0</b>	<b>-3</b>	<b>61.9</b>	<b>-5%</b>	<b>52.2</b>	<b>12%</b>
Gross profit	26.7	26.6	0.1	28		27.9	-4%	21.8	
<b>Gross margin</b>	<b>45.5%</b>	<b>44.0%</b>	<b>1.5pp</b>	<b>44.8%</b>		<b>45.0%</b>	<b>0.5pp</b>	<b>41.7%</b>	<b>3.8pp</b>
<b>Adj. EBITA</b>	<b>3.7</b>	<b>5.9</b>	<b>(2.2)</b>	<b>7.1</b>	<b>-3.4</b>	<b>6.1</b>	<b>-39%</b>	<b>4.8</b>	<b>-22%</b>
Adj. EBITA margin	6.4%	9.8%	-3.4pp	11.5%	-5.1pp	9.9%	-3.5pp	9.2%	-2.8pp
EBITA	3.7	5.9	-2.2			6.1	-39%	4.8	-22%
EBITA margin	6.4%	9.8%	-3.4pp			9.9%	-3.5pp	9.2%	-2.8pp
EBIT	0.0	2.3	-2.4	3.0	-3.1	2.5	-101%	1.5	-102%
EBIT margin	-0.1%	3.8%	-3.9pp	4.9%	-5.0pp	4.1%	-4.2pp	2.9%	-2.9pp
PTP	-1.7	1.6	-3.3	2.5		1.7	-201%	1.3	-228%
<b>Adj. EPS</b>	<b>0.07</b>	<b>0.22</b>	<b>-68%</b>	<b>0.33</b>	<b>-0.3</b>	<b>0.21</b>	<b>-66%</b>	<b>0.20</b>	<b>-64%</b>
EPS	-0.14	0.03	-575%	0.16	-0.30	0.02		0.02	

Source: Company data, Refinitiv and Nordea estimates

### Q2 missed despite a solid gross profit

Relais Q2 net sales were EUR 58.6m, up 12% y/y, and came 5% below pre profit warning Refinitiv consensus expectations. According to the management, wholesale market growth was flattish in Q2 with strong sluggish April, strong May and early June, and weaker end of June. Sick leaves have normalised while workshops have been affected by the lack of mechanics. The company has started actions to gain more personnel but we do not expect any imminent improvement on the situation. Lighting and power management sales have developed well in Q2 and the company is well prepared for the important lighting season.

Adjusted EBITA was 3.7m in Q2, down 23% y/y, and came clearly below pre profit warning consensus. Q2 EBIT was EUR 0.0m. Amortisation adjusted EPS was 0.07, missing clearly pre profit warning consensus of EUR 0.33.

## No numeric guidance for 2022

Realis does not provide a numeric guidance for 2022. Outlook comments:

*“Overall market growth in the Nordic countries is expected to be low this year and probably continue to be below last year’s development.*

*Even though the overall market situation is reasonably stable at the time of the publication of this review and has improved compared to the first quarter, it is still weaker than last year and the level of uncertainty is high.*

*The visibility is blurred by the continuing lack of components and semi-conductors, the increase in raw material prices, challenges in the global logistical chains, energy prices and the war in Ukraine. The continuing increases in energy prices, especially fuel prices, can create challenges for some of Relais Group’s customers, especially in the maintenance and repair business as well as for those of Relais customers who in turn sell our goods as consumer discretionary items.”*

### SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	99	129	238	267	284	294
EBITDA (adj)	13	19	31	32	37	41
EBIT (adj)	8	11	16	16	25	28
EBIT (adj) margin	7.9%	8.6%	6.9%	5.9%	8.7%	9.5%
EPS (adj, EUR)	0.29	0.39	0.41	0.37	0.80	0.95
EPS (adj) growth	-13.6%	31.5%	6.3%	-10.1%	116.2%	18.3%
DPS (ord, EUR)	0.10	0.30	0.36	0.40	0.44	0.49
EV/Sales	1.4	2.3	2.4	1.3	1.1	1.0
EV/EBIT (adj)	17.3	26.3	35.2	21.3	12.9	10.7
P/E (adj)	28.0	37.9	63.8	35.7	16.5	14.0
P/BV	1.6	3.7	5.5	2.8	2.6	2.3
Dividend yield (ord)	1.2%	2.0%	1.4%	3.0%	3.3%	3.7%
FCF Yield bef A&D, lease adj	1.4%	6.1%	0.4%	6.4%	10.1%	10.3%
Net debt	35	28	87	87	69	51
Net debt/EBITDA	2.6	1.5	2.8	2.7	1.8	1.3
ROIC after tax	8.1%	7.7%	8.1%	6.1%	9.8%	11.8%

Source: Company data and Nordea estimates

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