

Relais Group Oyj

Consumer Goods
Finland

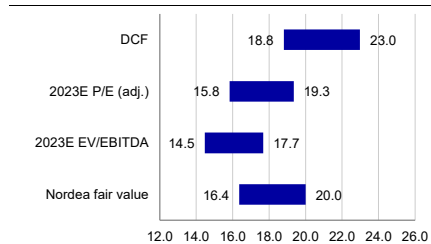
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 12.20
Free Float	36%
Market cap. (bn)	EUR 0.23/EUR 0.23
Website	www.relais.fi
Next report date	10 Nov 2022

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	-1%	-2%	-2%
EBIT (adj)	-20%	-10%	-7%

Source: Nordea estimates

Nordea Markets - Analysts

Joni Sandvall
AnalystSanna Perälä
Analyst

Market remains volatile

Relais issued a profit warning on 8 August, flagging weak profitability in H1. The Q2 headline figures were in line with the pre-released numbers and the focus in the report was on the H2 outlook. Relais has suffered from a lack of mechanics, capping workshop growth, while the wholesale market has recovered to close to last year's level. However, we note the volatile market conditions and do not expect a quick fix for the employee shortage. Lighting sales have now started and will be significant for the H2 performance in terms of higher margins and the currently high inventories. We derive a fair value range of EUR 16.4-20.0 (17.8-21.8) per Relais share.

We do not expect the Q2 weakness to continue

Q2 EBITA of EUR 3.7m was down 23% y/y despite 12% y/y sales growth. The company was affected by weak market conditions in April, while a lack of mechanics held back growth within workshops. In addition, the company has streamlined its Raskone operations, which had a temporary negative impact of EUR 0.4m in total in Q2. We do not expect a quick fix for the labour shortage, but the streamlining of the Raskone operations should have a positive impact on H2 earnings. The important lighting sales have started and Relais has prepared with high inventories. We expect the inventory level to remain slightly elevated in 2022, although the company has started a project to improve working capital efficiency. We expect flat organic growth in H2 and a 4% EBITA increase despite recent acquisitions.

Estimate cuts reflect more cautious view

We trim the 2022E-24E top line by 1-2%, partly owing to the streamlined Raskone operations. We cut 2022E-24E adjusted EBITA by 5-9% and wait to hear more on the operational efficiency programme before incorporating any cost savings.

Valuation range of EUR 16.4-20.0

Relais aims to transfer to the Nasdaq Helsinki main list during H2 at the earliest. This means 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 16.4-20.0 (17.8-21.8) per share. Relais aims to continue its active consolidation strategy, although we believe it needs to take a slight breather or consider using something other than debt financing before making larger acquisitions due to the temporarily higher leverage ratio.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	72	99	129	238	263	278	287
EBITDA (adj)	9	13	19	31	30	35	39
EBIT (adj)	6	8	11	16	13	22	26
EBIT (adj) margin	7.9%	7.9%	8.6%	6.9%	4.8%	8.0%	9.1%
EPS (adj, EUR)	0.34	0.29	0.39	0.41	0.16	0.65	0.83
EPS (adj) growth	-17.9%	-13.6%	31.5%	6.3%	-60.0%	297.1%	26.7%
DPS (ord, EUR)	0.00	0.10	0.30	0.36	0.40	0.44	0.49
EV/Sales	n.a.	1.4	2.3	2.4	1.2	1.1	1.0
EV/EBIT (adj)	n.a.	17.3	26.3	35.2	25.3	13.7	11.0
P/E (adj)	n.a.	28.0	37.9	63.8	74.0	18.6	14.7
P/BV	n.a.	1.6	3.7	5.5	2.7	2.5	2.3
Dividend yield (ord)	n.a.	1.2%	2.0%	1.4%	3.3%	3.6%	4.0%
FCF Yield bef A&D, lease	n.a.	1.4%	6.1%	0.4%	5.9%	10.1%	10.2%
Net debt	18	35	28	87	89	73	58
Net debt/EBITDA	2.0	2.6	1.5	2.8	3.0	2.1	1.5
ROIC after tax	11.3%	8.1%	7.7%	8.1%	4.9%	8.9%	11.1%

Source: Company data and Nordea estimates

Estimate revisions

Estimate revisions

We trim our 2022-24 top-line estimates by 1-2%, driven partly by the streamlining of the Raskone operations and FX. We cut 2022E-24E adjusted EBITA by 5-9% due to the slightly higher-than-anticipated fixed-cost level. The company has started an operational efficiency programme, but we do not yet incorporate this into our model, as the company has not indicated how meaningful this programme will be.

We note that the company is planning to transfer to the Nasdaq Helsinki main list, which will trigger an IFRS transition. This will have a significant positive impact on the amortisation level.

ESTIMATE REVISIONS

EURm	New estimates				Old estimates				Difference %			
	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E
Sales	66.1	263	278	287	67.3	267	284	294	-2%	-1%	-2%	-2%
Gross profit	29.4	118	125	130	29.7	118	127	131	-1%	0%	-1%	-1%
Gross margin	44.5%	44.6%	45.0%	45.1%	44.2%	44.1%	44.5%	44.6%	0.3pp	0.5pp	0.5pp	0.5pp
Adj. EBITA	8.6	27.6	32.5	36.5	9.3	30.2	35.0	38.5	-7%	-9%	-7%	-5%
Adj. EBITA margin	13.1%	10.5%	11.7%	12.7%	13.8%	11.3%	12.3%	13.1%	-0.7pp	-0.8pp	-0.6pp	-0.4pp
EBITA	8.6	27.6	32.5	36.5	9.3	30.2	35.0	38.5	-7%	-9%	-7%	-5%
EBITA margin	13.1%	10.5%	11.7%	12.7%	13.8%	11.3%	12.3%	13.1%	-0.7pp	-0.8pp	-0.6pp	-0.4pp
EBIT	4.8	12.5	22.1	26.1	5.6	15.7	24.6	28.1	-15%	-20%	-10%	-7%
EBIT margin	7.2%	4.8%	8.0%	9.1%	8.3%	5.9%	8.7%	9.5%	-1.1pp	-1.1pp	-0.7pp	-0.4pp
PTP	4.1	8.6	18.2	22.4	4.9	12.7	21.7	25.2	-17%	-32%	-16%	-11%
EPS	0.13	0.16	0.65	0.83	0.17	0.37	0.80	0.95	-22%	-56%	-18%	-13%
DPS		0.40	0.44	0.49		0.40	0.44	0.49		0%	0%	0%

Source: Nordea estimates

Valuation

We value Relais using a variety of methods, including a peer multiples-based valuation and a discounted cash flow (DCF) model. We only include organic growth potential in our valuation approach and exclude any impact from potential future M&A. Using a combination of valuation methods, we derive a fair valuation range of EUR 16.4-20.0 (17.8-21.8) 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
Peer group												
Advance Auto Parts Inc	1.1x	1.1x	1.0x	9.0x	8.4x	7.9x	11.1x	10.3x	9.5x	14.2	12.6	11.3
Auto Partner Sa	0.8x	0.6x	0.6x	7.3x	5.7x	5.5x	7.8x	6.1x	5.9x			
Autozone Inc	3.0x	2.9x	2.8x	13.2x	12.8x	12.2x	15.1x	14.6x	14.0x	19.2	17.5	16.0
Inter Cars Sa	0.5x	0.5x	0.5x	6.3x	6.1x	5.7x	7.2x	6.8x	6.8x	7.7	7.2	6.6
Camping World Holdings Inc	0.7x	0.7x		6.9x	7.8x		7.5x	8.9x		5.8	6.8	
Dometic Group Ab (Publ)	1.3x	1.3x	1.3x	8.1x	8.0x	7.3x	10.7x	10.5x	9.4x	9.9	10.3	9.0
Halfords Group Plc	0.5x	0.5x	0.5x	3.5x	3.6x	3.4x	7.2x	9.2x	8.1x	5.1	6.7	6.0
Meko Ab	0.8x	0.7x	0.7x	6.3x	5.6x	5.4x	11.3x	9.3x	8.7x	9.5	7.9	7.4
O'Reilly Automotive Inc	3.5x	3.3x	3.2x	15.6x	14.6x	13.5x	17.4x	16.3x	15.2x	22.6	20.2	18.0
Thule Group Ab	3.0x	2.9x	2.7x	13.3x	12.5x	11.3x	14.4x	13.5x	12.2x	17.6	16.6	15.1
Peer group average	1.5x	1.4x	1.5x	9.0x	8.5x	8.0x	11.0x	10.5x	10.0x	12.4	11.8	11.2
Peer group median	0.9x	0.9x	1.0x	7.7x	7.9x	7.3x	10.9x	9.8x	9.4x	9.9x	10.3x	10.2
US peers' average	2.1x	2.0x	2.3x	11.2x	10.9x	11.2x	12.8x	12.5x	12.9x	15.4x	14.3x	15.1x
European peers' average	1.1x	1.1x	1.0x	7.5x	6.9x	6.4x	9.8x	9.2x	8.5x	10.0x	9.8x	8.8x
Relais (Nordea)	1.2x	1.1x	1.0x	10.7x	8.7x	7.4x	25.2x	13.6x	10.9x	76.4x	19.2x	15.2x
difference to median	26%	20%	-5%	39%	10%	1%	130%	39%	16%	673%	86%	49%
Compounders												
Addtech Ab	3.4	2.9	2.7	23.3	19.6	18.4	32.2	26.2	25.1	43.5	33.2	31.3
Bergman & Beving Ab	0.9	0.8	0.8	7.9	7.2	6.9	13.3	11.9	11.0	13.7	11.6	10.6
Beijer Alma Ab	2.0	2.0	1.9	10.5	10.0	9.1	13.0	12.4	10.7	14.7	15.7	14.0
Beijer Ref Ab (Publ)	2.5	2.3	2.1	21.3	18.3	16.7	27.3	23.1	20.3	43.5	36.6	32.8
Bufab Ab (Publ)	1.8	1.8	1.7	13.3	12.8	12.2	16.5	15.8	15.0	18.6	17.4	16.2
Indutrade Ab	3.6	3.5	3.4	20.3	20.0	19.0	27.5	27.5	26.0	34.5	34.6	32.2
Lagercrantz Group Ab	3.7	3.0	2.8	18.7	15.6	14.9	26.1	20.9	19.7	37.5	30.3	29.0
Lifco Ab (Publ)	4.2	4.1	3.9	18.7	19.1	18.1	23.6	24.4	22.9	30.3	30.3	27.9
Sdiptech Ab (Publ)	3.4	2.9	2.6	14.6	12.6	11.1	19.1	15.7	13.4	23.1	18.8	15.7
Volati Ab	1.8	1.7	1.6	14.5	13.1	12.3	20.7	17.7	15.7	23.6	21.6	19.9
Compounders average	2.7	2.5	2.4	16.3	14.8	13.9	21.9	19.6	18.0	28.3	25.0	23.0
Compounders median	2.9	2.6	2.3	16.6	14.4	13.6	22.2	19.3	17.7	27.0	26.0	23.9
Total average	2.1	2.0	1.9	12.6	11.7	11.1	16.5	15.0	14.2	20.8	18.7	17.7
Total median	1.9	1.9	1.9	13.3	12.5	11.3	14.7	14.1	13.4	18.6	17.4	15.8
Total average (70%/30%)	1.8	1.7	1.6	10.4	9.8	9.2	13.2	12.3	11.6	15.6	14.4	13.5
Total median (70%/30%)	1.5	1.4	1.4	10.4	9.8	9.2	14.3	12.6	11.9	15.0	15.0	14.3
Relais (Nordea)	1.2	1.1	1.0	10.7	8.7	7.4	25.2	13.6	10.9	76.4	19.2	15.2
difference to weighted median	-22%	-23%	-31%	3%	-12%	-20%	76%	8%	-8%	409%	28%	6%

Source: Refinitiv and Nordea estimates

EV/EBITDA-based valuation of EUR 14.5-17.7 per share

Based on our EUR 34.5m 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 14.5-17.7 (16.1-19.7) 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 9.8x for 2023E.

P/E-based valuation of EUR 15.8-19.3 per share

Using a EUR 1.26 amortisation-adjusted EPS estimate for 2023, we arrive at a fair value range of EUR 15.8-19.3 (17.8-21.7) per share using P/E multiples of 12.6-15.4x (midpoint: 14x). Using a 70% weight for the auto parts peer group and a 30% weight for the compounder peer group, the median P/E would be 15x for 2023E.

DCF-based valuation of EUR 18.8-23.0 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 4.1% 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 13.0% 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

WACC components	
Risk-free interest rate	3.0%
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	9.1-11.5%
Cost of debt	4.0%
Tax-rate used in WACC	30%
Equity weight	50%
WACC	6-7.1%

Source: Nordea estimates

DCF VALUATION

DCF value	Value	Per share
NPV FCFF	420-499	22.2-26.4
(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	23	1.2
DCF Value	355-434	18.8-23

Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2022-27	2028-32	2033-37	2038-42	2043-47	2048-52	Sust.
Sales growth, CAGR	3.9%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EBIT-margin, excluding associates	9.1%	13.0%	13.0%	13.0%	13.0%	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	38.1%	5.6%	2.5%	2.5%	2.5%	-42.6%	2.5%

Source: Nordea estimates

DCF valuation sensitivity

To test the robustness of our base-case scenario, we perform a sensitivity analysis by varying our EBIT margin, sales growth and WACC assumptions. The DCF-derived fair value is especially sensitive to WACC assumptions, implying that changes in the company's risk profile could significantly impact the fair value in either direction.

When we use sensitivities of ± 0.5 pp for WACC, ± 0.5 pp for sales growth and ± 0.5 pp for the EBIT margin, our DCF model yields a value range of EUR 19.3-24.8 per share.

SENSITIVITY OF OUR DCF MODEL (EUR/SHARE)

		WACC				
		5.5%	6.0%	6.5%	7.0%	7.5%
EBIT margin change	+1.0pp	27.6	25.1	23.0	21.2	19.6
	+0.5pp	26.1	23.9	22.0	20.3	18.8
		24.5	22.6	20.9	19.4	18.0
	-0.5pp	23.0	21.3	19.8	18.5	17.2
	-1.0pp	21.5	20.1	18.7	17.5	16.4

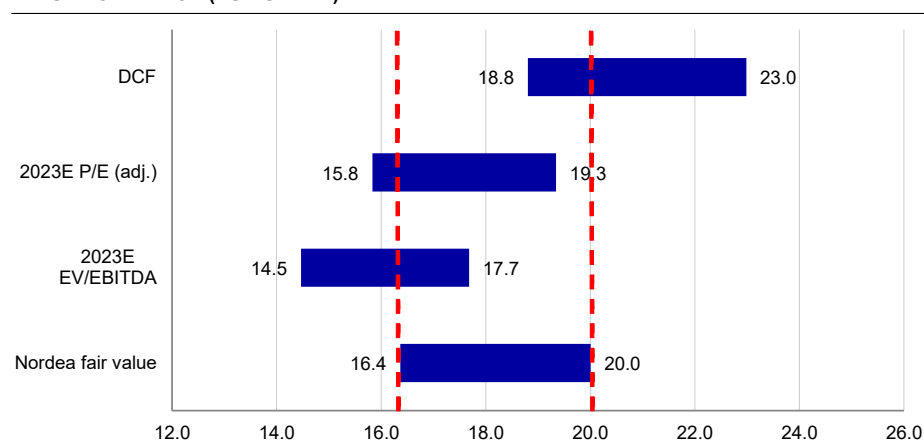
		WACC				
		5.5%	6.0%	6.5%	7.0%	7.5%
Sales growth change	+1.0pp	26.1	23.9	22.0	20.4	18.9
	+0.5pp	25.3	23.2	21.5	19.9	18.5
		24.5	22.6	20.9	19.4	18.0
	-0.5pp	23.8	22.0	20.4	18.9	17.6
	-1.0pp	23.2	21.4	19.9	18.5	17.2

		Sales growth change			
		-1.0pp	-0.5pp	+0.5pp	+1.0pp
EBIT margin change	+1.0pp	21.7	22.4	23.0	23.8
	+0.5pp	20.8	21.4	22.0	22.6
		19.9	20.4	20.9	21.5
	-0.5pp	18.9	19.4	19.8	20.3
	-1.0pp	18.0	18.4	18.7	19.1

Source: Nordea estimates

Valuation conclusion

Assuming that Relais can deliver revenue growth and an operating profit margin in line with our expectations, we estimate a fair value range of EUR 16.4-20.0 (17.8-21.8) 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 22	Q3 22E	Q4 22E	2018	2019	2020	2021	2022E	2023E	2024E
Net sales	54	52	59	74	62	59	66	77	72	99	129	238	263	278	287
Sales growth	80%	79%	79%	97%	16%	12%	13%	4%	20%	37%	30%	85%	11%	5%	4%
of which organic	9%	9%	9%	9%	-9%	-2%	0%	0%	10%	2%	3%	9%	-2%	4%	4%
of which FX	3%	2%	1%	1%	-2%	-2%	-1%	-1%	0%	-1%	1%	2%	-1%	0%	0%
of which structural	68%	67%	69%	88%	27%	16%	14%	5%	10%	36%	27%	74%	15%	1%	0%
Other operating income	0.9	0.7	0.5	0.9	0.7	0.8	0.5	0.5	0.4	0.5	1.0	3.1	2.4	2.5	2.5
Materials and services	-32	-30	-33	-42	-34	-32	-37	-43	-48	-66	-84	-137	-146	-153	-158
Gross profit	21.3	21.8	25.9	31.8	27.9	26.5	29.4	33.8	24.3	33.1	45.0	100.8	117.5	125.0	129.7
Gross margin %	39.9%	41.7%	44.1%	43.3%	45.0%	45.3%	44.5%	44.0%	33.6%	33.4%	34.9%	42.4%	44.6%	45.0%	45.1%
Staff costs	-9	-11	-10	-14	-14	-14	-13	-15	-10	-12	-17	-45	-56	-58	-61
Other operating costs	-5	-6	-7	-9	-8	-9	-8	-10	-6	-8	-10	-28	-35	-34	-33
EBITDA	7.6	5.4	8.7	9.3	6.6	4.2	9.2	9.7	8.7	13.3	19.1	31.0	29.7	34.5	38.6
EBITDA margin %	14.3%	10.3%	14.8%	12.6%	10.7%	7.2%	13.9%	12.6%	12.1%	13.5%	14.8%	13.0%	11.3%	12.4%	13.4%
D&A	-3.1	-3.9	-3.7	-3.9	-4.1	-4.3	-4.4	-4.4	-3.0	-5.5	-8.0	-14.6	-17.1	-12.5	-12.5
of which depreciations	-0.3	-0.6	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.3	-0.4	-0.4	-1.7	-2.0	-2.1	-2.1
of which amortizations	-2.8	-3.3	-3.3	-3.4	-3.6	-3.8	-3.9	-3.9	-2.7	-5.1	-7.6	-12.9	-15.1	-10.4	-10.4
EBITA	7.4	4.8	8.3	8.8	6.1	3.7	8.6	9.1	8.4	13.0	18.7	29.3	27.6	32.5	36.5
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
Adj. EBITA	7.4	4.8	8.3	8.8	6.1	3.7	8.6	9.1	8.4	13.0	18.7	29.3	27.6	32.5	36.5
Adj. EBITA margin %	13.8%	9.2%	14.2%	11.9%	9.9%	6.4%	13.1%	11.9%	11.6%	13.1%	14.5%	12.3%	10.5%	11.7%	12.7%
-growth y/y	131%	12%	53%	52%	-17%	-22%	4%	4%	4%	55%	44%	56%	-6%	18%	12%
EBITA Bridge													-1.7	4.9	4.0
Organic													-2.6	5.1	4.7
FX													-0.4	0.0	0.0
Structural													4.3	0.4	0.0
Cost vs price													-3.0	-0.6	-0.6
EBIT	4.6	1.5	5.0	5.3	2.5	0.0	4.8	5.3	5.7	7.9	11.1	16.4	12.5	22.1	26.1
EBIT margin %	8.6%	2.9%	8.5%	7.2%	4.1%	-0.1%	7.2%	6.9%	7.9%	7.9%	8.6%	6.9%	4.8%	8.0%	9.1%
Net financials	-1.4	-0.2	-0.8	-0.9	-0.9	-1.7	-0.7	-0.7	-0.9	-5.4	-0.7	-3.3	-3.9	-3.8	-3.7
PTP	3.2	1.3	4.2	4.4	1.7	-1.7	4.1	4.6	4.8	2.5	10.4	13.1	8.6	18.2	22.4
Tax	-1.3	-1.0	-1.8	-1.3	-1.3	-0.9	-1.6	-1.7	-1.5	-1.9	-3.4	-5.3	-5.5	-6.0	-6.9
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
Net profit for equity	1.9	0.4	2.4	3.1	0.4	-2.6	2.5	2.8	3.1	0.4	6.9	7.7	3.1	12.2	15.5
Net profit	2.0	0.4	2.4	3.1	0.4	-2.6	2.5	2.9	3.3	0.6	7.0	7.8	3.2	12.2	15.5
EPS (undiluted)	0.11	0.02	0.13	0.17	0.02	-0.14	0.14	0.16	0.36	0.03	0.41	0.43	0.17	0.68	0.86
Adj. EPS (excl. amortization)	0.26	0.20	0.32	0.36	0.22	0.06	0.35	0.37	0.67	0.75	0.87	1.15	1.01	1.26	1.44
DPS										0.10	0.30	0.36	0.40	0.44	0.49

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	General economy 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. 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.
Competitors consolidating the market could hamper Relais' growth prospects	Increasing competition 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.
Disturbances by suppliers may affect product availability	Dependence on suppliers 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. 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' spare parts and equipment.
If not executed well, high M&A activity may increase costs	Risks related to expansion Relais' ambitions to grow quickly do not come without costs, investments and risks. M&A could increase costs temporarily, but also in the long term if acquisitions fail or integration is executed poorly. Hence, it is important for the company to maintain good cost control and clear M&A execution plans, so as not to hamper earnings.
Key employees leaving could lead to the loss of clients	Dependence on key employees Relais depends heavily on the efforts of its management team and the board of directors. These key persons have substantial knowledge of running listed companies as well as broad sector knowledge. Should these people leave, it could take some time to find replacements. If key employees join a competitor or start a competing business, this could significantly hamper Relais' business, leading to the loss of clients or even suppliers. Also, because Relais does not fully integrate acquired companies, its dependence on acquired key employees is high. Should Relais fail to incentivise employees in acquired companies, it could have a direct impact on sales and earnings.
A share issue could dilute current shareholders' ownership	Financial position Relais has high growth ambitions, and hence we do not rule out the need for additional equity to support future M&A activity. An equity issue could dilute the current shareholders' ownership.

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
Total revenue	42	54	59	60	72	99	129	238	263	278	287
Revenue growth	31.3%	28.6%	9.1%	2.6%	19.9%	36.6%	30.3%	84.5%	10.7%	5.4%	3.5%
of which organic	7.0%	8.8%	9.5%	-0.8%	9.5%	2.0%	3.0%	9.1%	-2.5%	4.0%	3.5%
of which FX	0.0%	0.0%	0.0%	0.0%	0.0%	-1.1%	0.7%	1.5%	-1.4%	0.0%	0.0%
EBITDA	0	0	9	8	9	13	19	31	30	35	39
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	28	32	37
Amortisation and impairments	0	0	-2	-2	-3	-5	-8	-13	-15	-10	-10
EBIT	n.a.	n.a.	7	6	6	8	11	16	13	22	26
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	-4	-4	-4
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
Pre-tax profit	0	0	4	5	5	2	10	13	9	18	22
Reported taxes	0	0	-1	-1	-2	-2	-3	-5	-5	-6	-7
Net profit from continued operations	0	0	3	4	3	1	7	8	3	12	16
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	3	12	16
EPS, EUR	n.a.	n.a.	0.22	0.42	0.34	0.03	0.39	0.41	0.16	0.65	0.83
DPS, EUR	0.00	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.44	0.49
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.44	0.49
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%	11.3%	12.4%	13.4%
EBITA	0.0%	0.0%	14.5%	13.4%	11.6%	13.1%	14.5%	12.3%	10.5%	11.7%	12.7%
EBIT	n.a.	n.a.	11.6%	10.2%	7.9%	7.9%	8.6%	6.9%	4.8%	8.0%	9.1%

Adjusted earnings

EBITDA (adj)	0	0	11	8	9	13	19	31	30	35	39
EBITA (adj)	0	0	10	8	8	13	19	29	28	32	37
EBIT (adj)	0	0	8	6	6	8	11	16	13	22	26
EPS (adj, EUR)	n.a.	n.a.	0.40	0.42	0.34	0.29	0.39	0.41	0.16	0.65	0.83

Adjusted profit margins in percent

EBITDA (adj)	0.0%	0.0%	18.0%	13.8%	12.1%	13.5%	14.8%	13.0%	11.3%	12.4%	13.4%
EBITA (adj)	0.0%	0.0%	17.3%	13.4%	11.6%	13.1%	14.5%	12.3%	10.5%	11.7%	12.7%
EBIT (adj)	0.0%	0.0%	14.4%	10.2%	7.9%	7.9%	8.6%	6.9%	4.8%	8.0%	9.1%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	17.6%	16.0%	14.3%	17.8%	18.7%	19.0%	32.2%	34.2%	30.8%	23.8%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	28.2%	28.9%	31.7%	23.7%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.2%	15.4%	31.0%	27.2%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.6%	-16.9%	13.9%	92.5%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	37.4%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.0%	7.9%	6.7%	7.0%	7.4%
Average EBITDA margin	0.0%	0.0%	4.1%	7.0%	9.0%	11.4%	13.9%	13.4%	12.7%	12.7%	12.8%

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	74.0	18.6	14.7
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	15.3	18.7	10.7	8.7	7.4
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	15.6	19.8	11.5	9.3	7.8
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	26.3	35.2	25.3	13.7	11.0

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	74.0	18.6	14.7
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	1.37	2.26	2.43	1.21	1.09	1.00
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	15.3	18.7	10.7	8.7	7.4
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	15.6	19.8	11.5	9.3	7.8
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	26.3	35.2	25.3	13.7	11.0
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	1.2%	2.0%	1.4%	3.3%	3.6%	4.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	-61.8%	2.9%	0.4%	1.7%	10.1%	10.2%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	1.4%	6.1%	0.4%	5.9%	10.1%	10.2%
Payout ratio	n.a.	n.a.	0.0%	0.0%	0.0%	33.9%	77.4%	87.3%	242.6%	67.2%	59.1%

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	106	96	85
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	104	94	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	110	100	90
Inventory	0	0	26	27	29	43	44	73	84	85	88
Accounts receivable	0	0	5	8	8	12	13	27	30	31	33
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	8
Cash and bank	0	0	1	2	2	30	35	12	9	10	11
Total current assets	0	0	35	37	42	88	95	119	131	134	139
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.
Total assets	0	0	40	44	47	142	154	235	241	234	229
Shareholders equity	0	0	6	11	17	64	72	89	85	90	98
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	86	91	98
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	91	76	61
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	96	81	66
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	3	4	4	7	9	15	22	24	24
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	30	32	33
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	60	63	65
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	0	40	45	48	143	155	235	241	234	229
Balance sheet and debt metrics											
Net debt	0	0	22	22	18	35	28	87	89	73	58
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	69	69	71
Invested capital	0	0	33	35	36	100	103	180	180	169	161
Capital employed	0	0	32	37	37	128	135	188	184	174	167
ROE	n.m.	n.m.	64.1%	44.7%	22.7%	1.0%	10.2%	9.6%	3.5%	13.9%	16.5%
ROIC	n.m.	n.m.	35.9%	12.6%	11.3%	8.1%	7.7%	8.1%	4.9%	8.9%	11.1%
ROCE	n.m.	n.m.	53.4%	17.9%	15.7%	9.6%	10.1%	10.9%	8.2%	13.8%	16.9%
Net debt/EBITDA	n.m.	n.m.	2.5	2.6	2.0	2.6	1.5	2.8	3.0	2.1	1.5
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%	35.3%	38.6%	42.8%
Net gearing	n.m.	n.m.	244.3%	152.2%	102.0%	54.3%	39.1%	97.1%	103.6%	80.5%	58.7%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA (adj) for associates	0	0	9	8	9	13	19	31	30	35	39
Paid taxes	0	0	0	0	-2	-2	-3	-5	-5	-6	-7
Net financials	0	0	0	0	-1	-6	-1	-3	-4	-4	-4
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
Funds from operations (FFO)	0	0	0	0	6	5	15	22	20	25	28
Change in NWC	0	0	0	0	-2	-3	1	-20	-5	0	-2
Cash flow from operations (CFO)	0	0	0	0	3	2	16	2	16	25	26
Capital expenditure	0	0	0	0	0	0	0	0	-2	-2	-2
Free cash flow before A&D	0	0	0	0	3	1	16	2	13	23	23
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	4	23	23
Free cash flow bef A&D, lease adj	0	0	0	0	3	1	16	2	13	23	23
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	0	-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	-2	1	0
Cash flow metrics											
Capex/D&A	n.m.	n.m.	0.0%	0.0%	6.9%	7.3%	0.0%	0.0%	12.1%	17.5%	18.3%
Capex/Sales	0.0%	0.0%	0.0%	0.0%	0.3%	0.4%	0.0%	0.0%	0.8%	0.8%	0.8%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	8	15	26	12	12	12
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	101	263	492	228	228	228
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	136	292	579	317	302	286
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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