

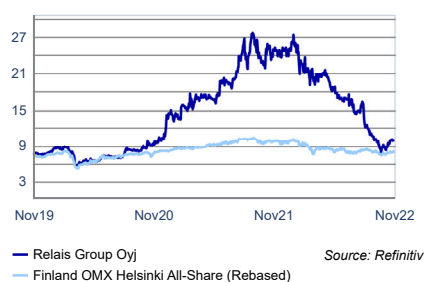
Relais Group Oyj

Consumer Goods
Finland

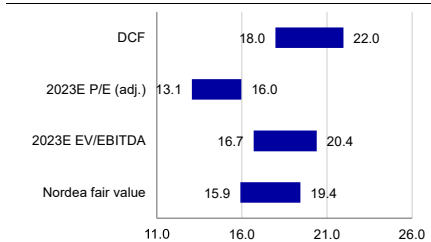
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 10.20
Free Float	36%
Market cap. (bn)	EUR 0.19/EUR 0.19
Website	www.relais.fi
Next report date	10 Nov 2022

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	0%	0%	0%
EBIT (adj)	91%	29%	23%

Source: Nordea estimates

Testing market resilience

Relais will for the first time report in accordance with IFRS standards in its Q3 results on 10 November. After a weak spring, we believe market demand has returned to close to normal ahead of the important H2. Given supply chain issues for new vehicles, we believe aftermarket demand will remain robust in Q4 too, while low consumer confidence and high inflation create some uncertainty over the important lighting sales, which should drive inventories to more normal levels. In addition, we believe Relais might announce a profitability-improvement programme in conjunction with the report. We derive a fair value of EUR 15.9-19.5 (16.4-20.0) per share.

Underlying estimates largely intact – adjusted for IFRS

Ahead of Relais' Q3 report, we keep our underlying estimates largely intact and adjust for FX. In addition, we apply the IFRS transition, which has a material impact below the EBITA level due to large goodwill amortisations under the Finnish Accounting Standard (FAS). In 2021, Relais had EUR 10.4m of goodwill amortisations, which are now tested under IFRS standards at least once a year. We cut 2022E-24E adjusted EBITA by 2%, mainly due to FX, while we lift adjusted EBIT by 91% for 2022E and 23-29% for 2023E-24E. For Q3, we are 5% ahead of Refinitiv consensus on the top line, while we are 3% below on adjusted EBITA. Overall, we expect a decent performance in Q3, driven by solid operations in Sweden and price increases. We expect to hear more on the development of the operational efficiency programme that Relais initiated in its biggest group company, while we would not be surprised to hear more about a group-wide profitability improvement programme aimed at mitigating cost inflation.

Valuation range of EUR 15.9-19.5

Relais aims to transfer to the Nasdaq Helsinki main list during H2, at the earliest. Given the IFRS transition, we believe the company is aiming for a transfer within the next six months. We derive a fair value range of EUR 15.9-19.5 (16.4-20.0) 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. The company targets EUR 500m pro forma net sales by 2026, which we view as achievable, according to our M&A scenario.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	72	99	129	238	262	276	286
EBITDA (adj)	9	13	19	39	40	45	49
EBIT (adj)	6	8	11	26	24	28	32
EBIT (adj) margin	7.9%	7.9%	8.6%	10.8%	9.1%	10.3%	11.3%
EPS (adj, EUR)	0.34	0.29	0.39	0.91	0.71	0.97	1.13
EPS (adj) growth	-17.9%	-13.6%	31.5%	133.9%	-21.4%	35.8%	16.9%
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	2.7	1.3	1.2	1.1
EV/EBIT (adj)	n.a.	17.3	26.3	24.6	14.2	11.4	9.6
P/E (adj)	n.a.	28.0	37.9	29.0	14.3	10.5	9.0
P/BV	n.a.	1.6	3.7	4.8	1.8	1.6	1.4
Dividend yield (ord)	n.a.	1.2%	2.0%	1.4%	3.9%	4.3%	4.8%
FCF Yield bef A&D, lease	n.a.	1.4%	6.0%	0.5%	3.0%	11.7%	12.5%
Net debt	18	35	28	140	150	135	119
Net debt/EBITDA	2.0	2.6	1.5	3.9	3.9	3.0	2.5
ROIC after tax	12.9%	9.2%	8.7%	11.6%	7.5%	8.9%	10.2%

Source: Company data and Nordea estimates

Nordea IB & Equity - Analysts

Joni Sandvall
AnalystSanna Perälä
Analyst

Estimate revisions

Estimate revisions

We make only minor revisions to our underlying estimates and adjust for FX ahead of the Q3 report. However, as Relais is transferring to IFRS accounting, we raise 2022E-24E adjusted EBIT by 23-91% and EPS by 36-291%.

ESTIMATE REVISIONS

EURm	New estimates				Old estimates				Difference %			
	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E	Q3 2022E	2022E	2023E	2024E
Sales	65.5	262	276	286	66.1	263	278	287	-1%	0%	0%	0%
Gross profit	29.5	118	126	131	29.4	118	125	130	0%	0%	1%	1%
Gross margin	45.0%	45.0%	45.5%	45.7%	44.5%	44.6%	45.0%	45.1%	0.5pp	0.4pp	0.5pp	0.6pp
Adj. EBITA	8.2	27.2	31.8	35.6	8.6	27.6	32.5	36.5	-5%	-2%	-2%	-2%
Adj. EBITA margin	12.6%	10.4%	11.5%	12.5%	13.1%	10.5%	11.7%	12.7%	-0.5pp	-0.1pp	-0.2pp	-0.3pp
EBITA	7.8	25.9	31.8	35.6	8.6	27.6	32.5	36.5	-9%	-6%	-2%	-2%
EBITA margin	12.0%	9.9%	11.5%	12.5%	13.1%	10.5%	11.7%	12.7%	-1.1pp	-0.6pp	-0.2pp	-0.3pp
EBIT	7.0	22.7	28.5	32.2	4.8	12.5	22.1	26.1	47%	81%	29%	23%
EBIT margin	10.7%	8.7%	10.3%	11.3%	7.2%	4.8%	8.0%	9.1%	3.5pp	3.9pp	2.4pp	2.2pp
PTP	5.6	16.7	23.6	27.5	4.1	8.6	18.2	22.4	37%	93%	29%	23%
EPS	0.23	0.65	0.97	1.13	0.13	0.16	0.65	0.83	71%	291%	48%	36%
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 15.9-19.5 (16.4-20.0) 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	1.0x	1.0x	8.7x	8.1x	7.4x	11.0x	10.3x	9.7x	13.8	12.4	11.1
Auto Partner Sa	0.7x	0.6x	0.5x	6.4x	5.1x	4.7x	7.1x	5.6x	5.1x			
Autozone Inc	3.3x	3.1x	2.9x	14.4x	13.8x	12.8x	16.3x	16.0x	14.7x	21.2	19.7	17.1
Inter Cars Sa	0.5x	0.5x	0.4x	6.8x	6.3x	6.0x	7.8x	7.1x	6.9x	7.9	7.0	6.4
Camping World Holdings Inc	0.7x	0.7x	0.6x	6.7x	8.5x	7.8x	7.6x	10.0x	8.8x	5.4	6.4	7.1
Dometic Group Ab (Publ)	1.2x	1.2x	1.2x	7.8x	8.0x	7.2x	10.7x	10.9x	9.7x	8.1	10.3	8.9
Halfords Group Plc	0.6x	0.5x	0.5x	3.7x	3.9x	3.7x	7.5x	9.9x	9.2x	5.5	8.1	7.3
Meko Ab	0.8x	0.8x	0.7x	6.9x	6.4x	6.1x	11.8x	10.4x	9.6x	10.0	8.9	8.0
O'Reilly Automotive Inc	3.8x	3.6x	3.4x	16.8x	15.7x	14.4x	18.7x	17.6x	16.4x	24.6	21.8	19.5
Thule Group Ab	2.5x	2.8x	2.5x	12.8x	14.9x	12.3x	14.2x	17.0x	13.7x	17.6	21.3	17.0
Peer group average	1.5x	1.5x	1.4x	9.1x	9.1x	8.2x	11.3x	11.5x	10.4x	12.7	12.9	11.4
Peer group median	0.9x	0.9x	0.9x	7.3x	8.0x	7.3x	10.8x	10.3x	9.6x	10.0x	10.3x	8.9
US peers' average	2.2x	2.1x	2.0x	11.6x	11.5x	10.6x	13.4x	13.4x	12.4x	16.2x	15.1x	13.7x
European peers' average	1.0x	1.1x	1.0x	7.4x	7.4x	6.6x	9.8x	10.1x	9.0x	9.8x	11.1x	9.5x
Relais (Nordea)	1.3x	1.1x	1.0x	8.3x	7.1x	6.2x	13.8x	11.1x	9.3x	14.0x	10.3x	8.8x
difference to median	33%	27%	20%	12%	-12%	-16%	27%	7%	-4%	41%	0%	-1%
Compounders												
Addtech Ab	2.6	2.2	2.2	17.9	15.4	15.0	24.7	20.4	20.9	32.2	26.7	30.1
Bergman & Beving Ab	0.8	0.8	0.8	7.1	6.8	6.6	12.0	11.2	10.6	11.2	10.0	9.2
Beijer Alma Ab	1.8	1.8	1.7	9.5	9.7	8.9	12.7	12.8	11.7	12.6	14.7	12.9
Beijer Ref Ab (Publ)	2.6	2.3	2.2	21.7	18.0	16.6	27.1	22.5	20.4	44.8	36.5	32.8
Bufab Ab (Publ)	1.4	1.4	1.4	10.8	10.5	10.1	13.8	13.4	12.7	14.9	14.1	13.1
Indutrade Ab	2.8	2.8	2.7	15.8	15.9	15.2	20.6	21.4	20.3	24.8	26.0	23.8
Lagercrantz Group Ab	3.3	2.7	2.5	16.4	13.7	13.0	22.9	18.6	17.5	33.6	27.6	26.9
Lifco Ab (Publ)	3.5	3.6	3.5	15.5	16.9	15.9	19.5	22.0	20.4	26.2	29.5	27.2
Sdiptech Ab (Publ)	3.0	2.6	2.3	13.0	11.6	10.3	17.3	14.8	12.7	20.1	17.6	14.5
Volati Ab	1.4	1.4	1.3	11.5	11.4	10.6	15.7	15.4	13.4	17.5	19.4	17.4
Compounders average	2.3	2.2	2.0	13.9	13.0	12.2	18.6	17.3	16.1	23.8	22.2	20.8
Compounders median	2.6	2.3	2.2	14.2	12.7	11.8	18.4	17.0	15.5	22.4	22.7	20.6
Total average	1.9	1.8	1.7	11.5	11.0	10.2	15.0	14.4	13.2	18.5	17.8	16.3
Total median	1.6	1.6	1.5	11.1	10.9	10.2	14.0	14.1	12.7	17.5	17.6	14.5
Total average (70%/30%)	1.7	1.6	1.5	10.1	9.9	9.0	12.7	12.6	11.5	14.9	14.7	13.3
Total median (70%/30%)	1.4	1.3	1.3	9.4	9.4	8.7	13.1	12.3	11.4	13.7	14.0	12.4
Relais (Nordea)	1.3	1.1	1.0	8.3	7.1	6.2	13.8	11.1	9.3	14.0	10.3	8.8
difference to weighted median	-13%	-13%	-17%	-12%	-25%	-29%	5%	-10%	-18%	2%	-26%	-29%

Source: Refinitiv and Nordea estimates

EV/EBITDA-based valuation of EUR 16.7-20.4 per share

Based on our EUR 44.7m EBITDA estimate for 2023 and an accepted valuation multiple range of 9.8-11.2x (midpoint: 10.5x), we arrive at a fair value range of EUR 16.7-20.4 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 9.4x for 2023E.

P/E-based valuation of EUR 13.1-16.0 per share

Using a EUR 0.97 EPS estimate for 2023, we arrive at a fair value range of EUR 13.1-16.0 per share using P/E multiples of 13.5-16.5x (midpoint: 15x). 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 14x for 2023E.

DCF-based valuation of EUR 18.0-22.0 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 3.9% 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	20%
Equity weight	50%
WACC	6.2-7.3%

Source: Nordea estimates

DCF VALUATION		
DCF value	Value	Per share
NPV FCFF	450-525	23.8-27.8
(Net debt)	-140	-7.4
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	30	1.6
DCF Value	340-415	18-22

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	11.4%	13.0%	13.0%	13.0%	13.0%	13.0%	4.3%
Capex/depreciation, x	0.8	1.0	1.0	1.0	1.0	1.0	1.0
Capex/sales	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
NWC/sales	26%	26%	26%	26%	26%	26%	26%
FCFF, CAGR	104.2%	4.2%	2.5%	2.5%	2.5%	-23.0%	2.5%

Source: Nordea estimates

DCF valuation sensitivity

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

When we use sensitivities of ± 0.5 pp for WACC, ± 0.5 pp for sales growth and ± 0.5 pp for the EBIT margin, our DCF model yields a value range of EUR 16.9-23.8 per share.

SENSITIVITY OF OUR DCF MODEL (EUR/SHARE)

		WACC				
		5.7%	6.2%	6.7%	7.2%	7.7%
EBIT margin change	+1.0pp	30.4	25.2	22.3	19.9	17.9
	+0.5pp	27.1	23.8	21.1	18.9	17.0
		25.4	22.4	20.0	17.9	16.1
	-0.5pp	23.8	21.1	18.8	16.9	15.2
	-1.0pp	22.1	19.7	17.6	15.9	14.3

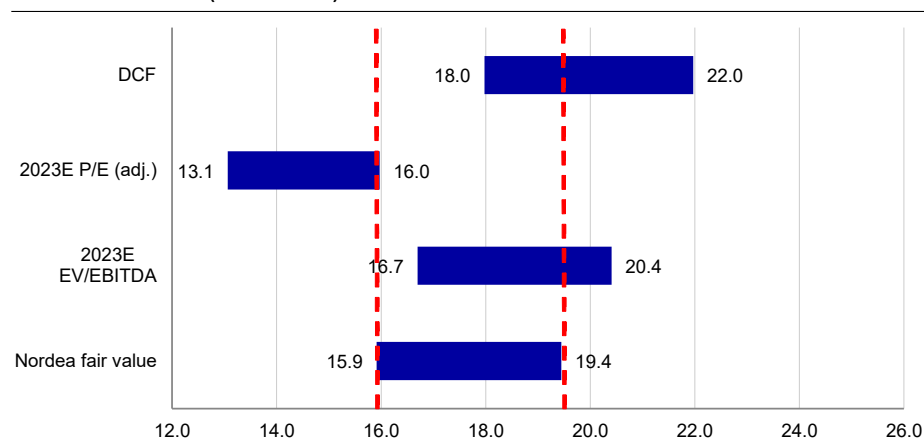
		WACC				
		5.7%	6.2%	6.7%	7.2%	7.7%
Sales growth change	+1.0pp	28.2	24.7	21.9	19.5	17.5
	+0.5pp	26.8	23.5	20.9	18.7	16.8
		25.4	22.4	20.0	17.9	16.1
	-0.5pp	24.2	21.4	19.1	17.2	15.5
	-1.0pp	23.1	20.5	18.3	16.5	14.9

		Sales growth change				
		-1.0pp	-0.5pp		+0.5pp	+1.0pp
EBIT margin change	+1.0pp	20.4	21.3	22.3	23.4	24.6
	+0.5pp	19.3	20.2	21.1	22.1	23.2
		18.3	19.1	20.0	20.9	21.9
	-0.5pp	17.3	18.0	18.8	19.6	20.5
	-1.0pp	16.3	16.9	17.6	18.4	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 15.9-19.5 (16.4-20.0) 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	53	52	59	74	62	59	66	76	72	99	129	238	262	276	286	
Sales growth	80%	78%	79%	98%	16%	13%	12%	3%	20%	37%	30%	84%	10%	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%	-2%	-4%	0%	-1%	1%	2%	-2%	0%	0%	
of which structural	68%	67%	70%	88%	27%	16%	14%	7%	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	-33	-30	-33	-42	-34	-32	-36	-42	-48	-66	-84	-138	-144	-151	-155	
Gross profit	20.5	22.5	24.8	31.8	28.1	26.6	29.5	33.8	24.3	33.1	45.0	99.6	118.0	125.8	130.7	
Gross margin %	38.3%	43.2%	42.3%	43.2%	45.3%	45.4%	45.0%	44.5%	33.6%	33.4%	34.9%	41.9%	45.0%	45.5%	45.7%	
Staff costs	-9	-12	-11	-15	-14	-14	-14	-17	-10	-12	-17	-47	-59	-61	-63	
Other operating costs	-4	-4	-5	-7	-6	-6	-5	-5	-6	-8	-10	-20	-23	-23	-22	
EBITDA	7.5	7.0	10.5	11.0	8.9	6.6	11.1	12.2	8.7	13.3	19.1	36.0	38.7	44.7	48.6	
EBITDA margin %	14.0%	13.4%	17.9%	15.0%	14.3%	11.2%	16.9%	16.1%	12.1%	13.5%	14.8%	15.1%	14.8%	16.2%	17.0%	
D&A	-2.4	-3.6	-3.2	-3.8	-3.9	-4.0	-4.0	-4.1	-3.0	-5.5	-8.0	-13.0	-16.0	-16.2	-16.4	
of which depreciations	-1.8	-2.9	-2.5	-3.0	-3.1	-3.2	-3.2	-3.2	-0.3	-0.4	-0.4	-10.3	-12.8	-12.9	-13.0	
of which amortizations	-0.5	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8	-2.7	-5.1	-7.6	-2.7	-3.2	-3.3	-3.4	
EBITA	5.7	4.1	8.0	8.0	5.7	3.4	7.8	9.0	8.4	13.0	18.7	25.7	25.9	31.8	35.6	
NRI	-1.0	-0.6	-0.3	-0.7	-0.5	-0.4	-0.4	0.0	0.0	0.0	0.0	-2.6	-1.3	0.0	0.0	
Adj. EBITA	6.7	4.7	8.3	8.7	6.2	3.8	8.2	9.0	8.4	13.0	18.7	28.3	27.2	31.8	35.6	
Adj. EBITA margin %	12.5%	9.0%	14.1%	11.8%	10.0%	6.5%	12.6%	11.8%	11.6%	13.1%	14.5%	11.9%	10.4%	11.5%	12.5%	
-growth y/y					-7%	-19%	-1%	3%	4%	55%	44%		-7%	17%	12%	
EBITA Bridge													-1.1	4.6	3.8	
Organic														-2.4	4.8	4.4
FX														-0.7	0.0	0.0
Structural														4.3	0.4	0.0
Cost vs price														-2.3	-0.6	-0.6
EBIT	5.1	3.4	7.3	7.3	5.0	2.6	7.0	8.1	5.7	7.9	11.1	23.0	22.7	28.5	32.2	
EBIT margin %	9.6%	6.5%	12.4%	9.9%	8.0%	4.4%	10.7%	10.7%	7.9%	7.9%	8.6%	9.7%	8.7%	10.3%	11.3%	
Net financials	-1.6	-0.5	-1.2	-1.2	-1.2	-1.9	-1.5	-1.5	-0.9	-5.4	-0.7	-4.6	-6.0	-4.9	-4.8	
PTP	3.5	2.8	6.1	6.1	3.8	0.7	5.6	6.7	4.8	2.5	10.4	18.5	16.7	23.6	27.5	
Tax	-0.9	-0.7	-1.5	-0.9	-1.1	-0.7	-1.3	-1.5	-1.5	-1.9	-3.4	-4.1	-4.6	-5.5	-6.3	
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	-0.1	0.0	-0.1	0.0	0.0	
Net profit for equity	2.6	2.1	4.6	5.2	2.7	0.0	4.3	5.2	3.1	0.4	6.9	14.3	12.1	18.1	21.1	
Net profit	2.6	2.1	4.6	5.2	2.7	0.0	4.3	5.2	3.3	0.6	7.0	14.4	12.1	18.1	21.1	
EPS (undiluted)	0.14	0.12	0.25	0.29	0.15	0.00	0.24	0.29	0.36	0.03	0.41	0.80	0.67	1.00	1.17	

Note: According to IFRS accounting from Q1 2021 onwards, 2018-20 according to the Finnish Accounting Standard

Source: Company data and Nordea estimates

Risk factors

Below, we list the main risk factors that we find relevant for Relais Group. The purpose of this is not to provide a comprehensive picture of all the risks that the company may face, but instead to highlight those that we find the most relevant. The main risks we identify relate to the general economy in the Nordics, car spare parts sales and the vehicle service business. 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>General economy</p> <p>The car service industry is to some extent dependent on the general economy. In times of strong economic activity, people are more inclined to spend money on car service and upgrades. Typically, unemployment rates decrease at such times, which also increases consumers' disposable income.</p> <p>Despite the 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' growth prospects	<p>Increasing competition</p> <p>The auto parts market is still very fragmented. If other players take a more active role in market consolidation, this could hurt the sales prospects for Relais and profitability if competitors become more aggressive on pricing.</p>
Disturbances by suppliers may affect product availability	<p>Dependence on suppliers</p> <p>As Relais imports its goods and does not produce spare parts or equipment itself, the company could be severely affected if its suppliers cannot deliver products as agreed or if the quality of products decreases significantly.</p> <p>The coronavirus situation has created supply-side problems and extra freight costs, which have not been resolved yet. A prolonged situation could hamper demand for Relais' spare parts and equipment.</p>
If not executed well, high M&A activity may increase costs	<p>Risks related to expansion</p> <p>Relais' ambitions to grow quickly do not come without costs, investments and risks. M&A could increase costs temporarily, but also in the long term if acquisitions fail or integration is executed poorly. Hence, it is important for the company to maintain good cost control and clear M&A execution plans, so as not to hamper earnings.</p>
Key employees leaving could lead to the loss of clients	<p>Dependence on key employees</p> <p>Relais depends heavily on the efforts of its management team and the board of directors. These key persons have substantial knowledge of running listed companies as well as broad sector knowledge. Should these people leave, it could take some time to find replacements. If key employees join a competitor or start a competing business, this could significantly hamper Relais' business, leading to the loss of clients or even suppliers. Also, because Relais does not fully integrate acquired companies, its dependence on acquired key employees is high. Should Relais fail to incentivise employees in acquired companies, it could have a direct impact on sales and earnings.</p>
A share issue could dilute current shareholders' ownership	<p>Financial position</p> <p>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.</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
Total revenue	42	54	59	60	72	99	129	238	262	276	286
Revenue growth	31.3%	28.6%	9.1%	2.6%	19.9%	36.6%	30.3%	84.5%	10.2%	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%	-2.4%	0.0%	0.0%
EBITDA	0	0	9	8	9	13	19	36	39	45	49
Depreciation and impairments PPE	0	0	0	0	0	0	0	-10	-13	-13	-13
of which leased assets	0	0	0	0	0	0	0	-7	-9	-9	-9
EBITA	0	0	9	8	8	13	19	26	26	32	36
Amortisation and impairments	0	0	-2	-2	-3	-5	-8	-3	-3	-3	-3
EBIT	n.a.	n.a.	7	6	6	8	11	23	23	28	32
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	-5	-6	-5	-5
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	18	17	24	27
Reported taxes	0	0	-1	-1	-2	-2	-3	-4	-5	-6	-6
Net profit from continued operations	0	0	3	4	3	1	7	14	12	18	21
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	14	12	18	21
EPS, EUR	n.a.	n.a.	0.22	0.42	0.34	0.03	0.39	0.77	0.65	0.97	1.13
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%	15.1%	14.8%	16.2%	17.0%
EBITA	0.0%	0.0%	14.5%	13.4%	11.6%	13.1%	14.5%	10.8%	9.9%	11.5%	12.5%
EBIT	n.a.	n.a.	11.6%	10.2%	7.9%	7.9%	8.6%	9.7%	8.7%	10.3%	11.3%

Adjusted earnings

EBITDA (adj)	0	0	11	8	9	13	19	39	40	45	49
EBITA (adj)	0	0	10	8	8	13	19	28	27	32	36
EBIT (adj)	0	0	8	6	6	8	11	26	24	28	32
EPS (adj, EUR)	n.a.	n.a.	0.40	0.42	0.34	0.29	0.39	0.91	0.71	0.97	1.13

Adjusted profit margins in percent

EBITDA (adj)	0.0%	0.0%	18.0%	13.8%	12.1%	13.5%	14.8%	16.2%	15.2%	16.2%	17.0%
EBITA (adj)	0.0%	0.0%	17.3%	13.4%	11.6%	13.1%	14.5%	11.9%	10.4%	11.5%	12.5%
EBIT (adj)	0.0%	0.0%	14.4%	10.2%	7.9%	7.9%	8.6%	10.8%	9.1%	10.3%	11.3%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	17.6%	16.0%	14.3%	17.8%	18.7%	19.0%	32.2%	34.1%	30.7%	23.6%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	32.1%	35.9%	38.6%	29.5%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27.5%	29.9%	37.8%	32.6%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.6%	9.2%	23.2%	104.9%
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.	n.a.	9.0%	9.0%	8.8%	9.3%
Average EBITDA margin	0.0%	0.0%	4.1%	7.0%	9.0%	11.4%	13.9%	14.3%	14.5%	15.1%	15.7%

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	29.0	14.3	10.5	9.0
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	15.3	16.4	8.5	7.3	6.4
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	15.6	22.3	12.5	10.3	8.7
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	26.3	24.6	14.2	11.4	9.6

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	34.3	15.8	10.5	9.0
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	1.37	2.26	2.66	1.30	1.18	1.08
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	15.3	17.5	8.8	7.3	6.4
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	15.6	24.5	13.2	10.3	8.7
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	26.3	27.4	15.0	11.4	9.6
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	1.2%	2.0%	1.4%	3.9%	4.3%	4.8%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	-61.8%	2.8%	-10.2%	2.5%	16.2%	17.1%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	1.4%	6.0%	0.5%	3.0%	11.7%	12.5%
Payout ratio	n.a.	n.a.	0.0%	0.0%	0.0%	33.9%	77.4%	39.7%	56.1%	45.5%	43.3%

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	130	136	133	129
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	15	15	15	15
of which goodwill	0	0	5	7	5	54	58	114	121	117	114
Tangible assets	0	0	0	0	0	0	0	59	50	49	49
of which leased assets	0	0	0	0	0	0	0	54	46	46	46
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	1	1	1	1
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	0	0	5	7	5	54	59	189	187	183	179
Inventory	0	0	26	27	29	43	44	73	84	84	86
Accounts receivable	0	0	5	8	8	12	13	34	37	39	41
Short-term leased assets	0	0	0	0	0	0	0	0	9	9	9
Other current assets	0	0	3	1	2	3	3	0	0	0	0
Cash and bank	0	0	1	2	2	30	35	12	9	14	20
Total current assets	0	0	35	37	42	88	95	119	139	146	155
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	308	325	329	334
Shareholders equity	0	0	6	11	17	64	72	102	108	118	132
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	0	0	0
Total Equity	0	0	9	14	17	64	72	102	108	119	132
Deferred tax	0	0	0	0	0	2	3	6	6	6	6
Long term interest bearing debt	0	0	15	11	14	59	58	91	98	88	78
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	44	46	46	46
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	143	153	143	133
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	3	4	4	7	9	46	50	52	54
Current lease debt	0	0	0	0	0	0	0	11	9	9	9
Other current liabilities	0	0	3	4	5	6	8	0	0	0	0
Short term interest bearing debt	0	0	8	12	6	5	5	6	6	6	6
Total current liabilities	0	0	14	19	15	18	21	63	64	67	69
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	308	325	329	334
Balance sheet and debt metrics											
Net debt	0	0	22	22	18	35	28	140	150	135	119
of which lease debt	0	0	0	0	0	0	0	55	55	55	55
Working capital	0	0	28	28	31	46	44	61	71	71	72
Invested capital	0	0	33	35	36	100	103	250	258	254	251
Capital employed	0	0	32	37	37	128	135	254	267	268	271
ROE	n.m.	n.m.	64.1%	44.7%	22.7%	1.0%	10.2%	16.5%	11.5%	16.0%	16.9%
ROIC	n.m.	n.m.	41.0%	14.4%	12.9%	9.2%	8.7%	11.6%	7.5%	8.9%	10.2%
ROCE	n.m.	n.m.	53.4%	17.9%	15.7%	9.6%	10.1%	13.8%	10.2%	11.6%	12.9%
Net debt/EBITDA	n.m.	n.m.	2.5	2.6	2.0	2.6	1.5	3.9	3.9	3.0	2.5
Interest coverage	n.a.	n.a.	9.3	7.1	6.0	1.5	4.6	4.2	2.9	4.1	4.7
Equity ratio	n.m.	n.m.	15.2%	23.8%	34.7%	44.5%	46.5%	33.1%	33.1%	36.0%	39.4%
Net gearing	n.m.	n.m.	244.3%	152.2%	102.0%	54.3%	39.1%	136.5%	138.9%	113.6%	90.2%

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	36	39	45	49
Paid taxes	0	0	0	0	-2	-2	-3	-5	-5	-6	-6
Net financials	0	0	0	0	-1	-6	-1	-3	-6	-5	-5
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	-5	0	0	0
Funds from operations (FFO)	0	0	0	0	6	5	15	24	28	34	38
Change in NWC	0	0	0	0	-2	-3	1	-12	-10	0	-1
Cash flow from operations (CFO)	0	0	0	0	3	2	16	12	18	35	36
Capital expenditure	0	0	0	0	0	0	0	-2	-4	-4	-4
Free cash flow before A&D	0	0	0	0	3	1	16	9	14	31	33
Proceeds from sale of assets	0	0	0	0	0	1	1	0	0	0	0
Acquisitions	0	0	0	0	-1	-65	-9	-60	-10	0	0
Free cash flow	0	0	0	0	2	-63	7	-50	5	31	33
Free cash flow bef A&D, lease adj	0	0	0	0	3	1	16	2	6	22	24
Dividends paid	0	0	0	0	0	0	-2	-5	-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	32	8	-10	-10
Other financing adjustments	0	0	0	0	0	0	0	0	-9	-9	-9
Other non-cash adjustments	0	0	1	1	-2	4	1	0	0	0	0
Change in cash	0	0	1	1	1	27	5	-23	-3	5	6
Cash flow metrics											
Capex/D&A	n.m.	n.m.	0.0%	0.0%	6.9%	7.3%	2.5%	17.6%	21.9%	22.7%	23.5%
Capex/Sales	0.0%	0.0%	0.0%	0.0%	0.3%	0.4%	0.2%	1.0%	1.3%	1.3%	1.3%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	8	15	26	10	10	10
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	101	263	492	191	191	191
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	136	292	632	341	326	310
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

07 Nov 2022, 20:14 CET

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