

Relais Group Oyj

Consumer Goods
Finland

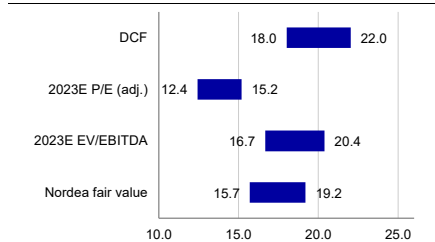
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 10.95
Free Float	36%
Market cap. (bn)	EUR 0.20/EUR 0.20
Website	www.relais.fi
Next report date	

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	-1%	-1%	-1%
EBIT (adj)	-3%	-2%	-2%

Source: Nordea estimates

Nordea IB & Equity - Analysts

Joni Sandvall
AnalystSanna Perälä
Analyst

Back to a more solid state

Relais' Q3 results were in line with our expectation and above the low-quality Refinitiv consensus. The company has been able to tackle inflation through price increases, while the repair and maintenance business returned to a more stable trajectory, helped by successful recruitments of mechanics. The Q4 outlook is still uncertain, as low consumer confidence could affect B2C sales, especially in Finland, while other operations should continue to be stable, we believe. The lighting season has started a bit later than normal, with resellers reluctant to take in pre-orders. However, the company appeared fairly confident on the Q4 outlook. The company expects multiples for potential M&A targets to decline and this could offer good entry points for the company in 2023, we believe. We derive a fair value range of EUR 15.7-19.2 (15.9-19.5) per Relais share.

Q3 was in line with our estimates

Relais transitioned to IFRS reporting in Q3. Net sales increased 10% y/y (+12% in constant currencies), while adjusted EBITA was down 4% y/y. Q3 EBIT was burdened by EUR 0.3m of items affecting comparability, mainly related to listing expenses. Wholesale sales increased 8% y/y in the Scandinavia segment, supported by positive market development and the acquisition of Trucnik. Wholesale sales decreased 8% y/y in Finland-Baltic, where market development was unfavourable. According to the company, Q3 organic sales growth was flattish y/y, with price component, for YTD, positive of 5-7%. Hence, it appears that market volumes have declined somewhat. The company is proceeding with its efficiency measures and expects working capital to decrease in Q4, while price optimisation should secure flattish gross margin development for 2023, we believe. In addition, we believe that good availability of goods and declining raw material prices could lead to a sourcing price decline in 2023, and we therefore expect a 50 bp gross margin improvement in 2023. Regarding M&A, the company expects valuations of target companies to decline to more moderate levels.

Minor estimate revisions – fair value range of EUR 15.7-19.2

We make only minor estimate revisions following the Q3 report. We trim the top line by 1% and adjusted EBITA by 2% for 2022E-24E. In addition, we raise our interest expense assumption, resulting in 4-8% negative EPS revisions. In line with these, we trim 2022E-24E DPS by 4-5%. 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 15.7-19.2 (15.9-19.5) per share, which does not include any unannounced M&A.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	72	99	129	238	261	275	284
EBITDA (adj)	9	13	19	39	40	44	48
EBIT (adj)	6	8	11	26	23	28	32
EBIT (adj) margin	7.9%	7.9%	8.6%	10.8%	8.9%	10.1%	11.1%
EPS (adj, EUR)	0.34	0.29	0.39	0.91	0.65	0.92	1.09
EPS (adj) growth	-17.9%	-13.6%	31.5%	133.9%	-28.0%	41.0%	17.9%
DPS (ord, EUR)	0.00	0.10	0.30	0.36	0.38	0.42	0.47
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	15.0	12.1	10.2
P/E (adj)	n.a.	28.0	37.9	29.0	16.8	11.9	10.1
P/BV	n.a.	1.6	3.7	4.8	1.9	1.7	1.6
Dividend yield (ord)	n.a.	1.2%	2.0%	1.4%	3.5%	3.8%	4.3%
FCF Yield bef A&D, lease	n.a.	1.4%	6.0%	0.5%	6.1%	8.7%	10.7%
Net debt	18	35	28	140	143	132	118
Net debt/EBITDA	2.0	2.6	1.5	3.9	3.7	3.0	2.4
ROIC after tax	12.9%	9.2%	8.7%	11.6%	7.4%	8.9%	10.2%

Source: Company data and Nordea estimates

Q3 results and estimate revisions

Relais reported Q2 adjusted EBITA of EUR 7.9m, 4% below our estimate. Net sales were EUR 64.8m (up 10% y/y, +12% in constant currencies), 4% above Refinitiv consensus and 1% below Nordea. Reported EBIT was EUR 6.8m, 41% above consensus and 3% below our estimate. The company notes strong performance in the Scandinavian units, where market conditions have been clearly more positive than in the Finnish-Baltic market. Sales and profitability in the Finnish-Baltic business were down y/y. Wholesale sales increased 8% y/y in Scandinavia, while they fell by 8% y/y in Finland-Baltics. The company has managed to increase prices and tackle the inflation impact on the gross profit. Repair and maintenance operations grew strongly driven by acquisitions, while operational efficiency measures in Raskone in Finland started to support profitability. The season for lighting sales has started somewhat later than in previous years and uncertainty is prevalent especially in Finnish B2C sales. The efficiency-improved programme should lower working capital as early as in Q4, and the company expects profitability improvement in 2023 through price optimisation. The company continues to actively investigate possible M&A targets and expects valuation multiples of the targets to decline to more moderate levels than before.

Solid Q3 driven by the Scandinavian businesses

Q3 supported by good performance in the Scandinavian businesses

Relais' Q3 net sales were EUR 64.8m, up 10% y/y (+12% in constant currencies and 4% above Refinitiv consensus. We note the weak quality of the consensus. According to the management, the Scandinavian businesses performed well, while the market was weaker in Finland-Baltics. Sales in the wholesale operations increased 8% y/y in Scandinavia (partly owing to M&A) but declined 8% y/y in Finland-Baltics.

Adjusted EBITA was EUR 7.9m in Q3, down 4% y/y and 7% below consensus and 4% below our estimates.

Q3 EBIT was EUR 6.8m, 41% above consensus and 3% below our expectation. There were EUR -0.2m of items affecting comparability in Q3 (we had anticipated EUR -0.4m).

Reported EPS of EUR 0.21 beat consensus of EUR 0.07 but slightly missed our estimate of EUR 0.23.

Inventories were up 2% q/q, but the company notes that working capital is expected to decline in Q4 due to the efficiency programme that was launched in Q2. In addition, the company expects price optimisation to support profitability in 2023.

Relais has not provided a numeric guidance for financial year 2022, but it has stated that it is well positioned to develop its business favourably also in Q4.

Q3 DEVIATION TABLE (EPS IN EUR)

	Actual	NDA est.	Deviation	Consensus	Deviation	Actual	Actual	Actual		
EURm	Q3 2022	Q3 2022	vs. actual	Q3 2022	vs. actual	Q2 2022	q/q	Q3 2021	y/y	
Sales	64.8	65.5	-1	62.5	2	4%	58.6	11%	58.7	10%
Gross profit	28.8	29.5	-0.7	27			26.6	8%	24.8	
Gross margin	44.4%	45.0%	-0.6pp	43.2%			45.4%	-1.0pp	42.3%	2.1pp
Adj. EBITA	7.9	8.2	(0.3)	8.5	-0.6	-7%	3.8	109%	8.3	-4%
Adj. EBITA margin	12.3%	12.6%	-0.3pp	13.6%			6.5%	5.8pp	14.1%	-1.9pp
EBITA	7.7	7.8	-0.2				3.4	127%	8.0	-4%
EBITA margin	11.9%	12.0%	-0.1pp				5.8%	6.1pp	13.6%	-1.7pp
EBIT	6.8	7.0	-0.2	4.9	2.0	41%	2.6	167%	7.3	-7%
EBIT margin	10.5%	10.7%	-0.2pp	7.8%			4.4%	6.2pp	12.4%	-1.9pp
PTP	5.1	5.6	-0.5	3.6			0.7	677%	6.1	-17%
EPS	0.21	0.23	-8%	0.07	0.15	223%	0.00		0.24	

Source: Company data, Refinitiv and Nordea estimates

Estimate revisions

We make only minor revisions to our estimates following the Q3 report, which was largely in line with our expectations. We trim the 2022E-24E top lines by 1% and adjusted EBITA by 2%. In addition, we increase our interest costs assumption for 2023 as the majority of interest-bearing liabilities are variable based. In tandem with our EPS cuts, we trim 2022E-24E DPS by 4-5%.

ESTIMATE REVISIONS

EURm	New estimates				Old estimates				Difference %			
	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E
Sales	75.2	261	275	284	75.9	262	276	286	-1%	-1%	-1%	-1%
Gross profit	33.5	117	125	130	33.8	118	126	131	-1%	-1%	-1%	-1%
Gross margin	44.5%	44.9%	45.4%	45.6%	44.5%	45.0%	45.5%	45.7%	0.0pp	-0.1pp	-0.1pp	-0.1pp
Adj. EBITA	8.6	26.6	31.2	35.0	9.0	27.2	31.8	35.6	-4%	-2%	-2%	-2%
Adj. EBITA margin	11.5%	10.2%	11.3%	12.3%	11.8%	10.4%	11.5%	12.5%	-0.3pp	-0.2pp	-0.2pp	-0.1pp
EBITA	8.6	25.4	31.2	35.0	9.0	25.9	31.8	35.6	-4%	-2%	-2%	-2%
EBITA margin	11.5%	9.8%	11.3%	12.3%	11.8%	9.9%	11.5%	12.5%	-0.3pp	-0.1pp	-0.2pp	-0.1pp
EBIT	7.8	22.1	27.8	31.6	8.1	22.7	28.5	32.2	-4%	-2%	-2%	-2%
EBIT margin	10.3%	8.5%	10.1%	11.1%	10.7%	8.7%	10.3%	11.3%	-0.4pp	-0.2pp	-0.2pp	-0.2pp
PTP	6.2	15.7	22.5	26.4	6.7	16.7	23.6	27.5	-7%	-6%	-5%	-4%
EPS	0.25	0.59	0.92	1.09	0.28	0.65	0.97	1.13	-8%	-8%	-5%	-4%
DPS		0.38	0.42	0.47		0.40	0.44	0.49		-5%	-5%	-4%

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 15.7-19.2 (15.9-19.5) 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	1.0x	1.0x	1.0x	8.5x	8.0x	7.2x	10.8x	10.1x	9.4x	13.5	12.1	10.7
Auto Partner Sa	0.7x	0.6x	0.5x	6.7x	5.4x	4.9x	7.4x	5.8x	5.3x			
Autozone Inc	3.3x	3.1x	2.9x	14.3x	13.8x	12.8x	16.2x	15.9x	14.6x	21.1	19.6	17.0
Inter Cars Sa	0.5x	0.5x	0.5x	6.9x	6.4x	6.1x	7.9x	7.2x	7.0x	7.7	6.9	6.3
Camping World Holdings Inc	0.7x	0.7x	0.7x	6.8x	8.9x	8.0x	7.7x	10.2x	9.0x	6.0	7.3	7.4
Dometic Group Ab (Publ)	1.3x	1.3x	1.3x	8.1x	8.3x	7.6x	11.4x	11.5x	10.2x	8.5	10.9	9.4
Halfords Group Plc	0.6x	0.5x	0.5x	3.7x	3.9x	3.8x	7.6x	10.1x	9.4x	5.6	8.2	7.4
Meko Ab	0.9x	0.8x	0.8x	7.1x	6.6x	6.3x	12.1x	10.7x	9.8x	10.1	9.0	8.1
O'Reilly Automotive Inc	3.9x	3.7x	3.5x	17.3x	16.0x	14.8x	19.2x	18.0x	16.7x	25.3	22.3	19.7
Thule Group Ab	2.6x	2.9x	2.7x	13.7x	15.9x	13.1x	15.2x	18.1x	14.6x	18.2	22.0	17.6
Peer group average	1.6x	1.5x	1.4x	9.3x	9.3x	8.4x	11.6x	11.7x	10.6x	12.9	13.2	11.5
Peer group median	0.9x	0.9x	0.9x	7.6x	8.2x	7.4x	11.1x	10.4x	9.6x	10.1x	10.9x	9.4
US peers' average	2.2x	2.1x	2.0x	11.7x	11.7x	10.7x	13.5x	13.5x	12.4x	16.5x	15.3x	13.7x
European peers' average	1.1x	1.1x	1.0x	7.7x	7.8x	6.9x	10.3x	10.6x	9.4x	10.0x	11.4x	9.8x
Relais (Nordea)	1.3x	1.2x	1.1x	8.4x	7.2x	6.4x	14.3x	11.6x	9.7x	16.1x	11.4x	9.7x
difference to median	35%	30%	25%	11%	-11%	-14%	29%	11%	1%	59%	5%	3%
Compounders												
Addtech Ab	2.8	2.3	2.3	18.9	16.3	15.9	26.1	21.6	22.1	33.1	28.0	30.9
Bergman & Beving Ab	0.8	0.8	0.8	7.4	7.1	6.9	12.5	11.7	11.0	11.6	10.3	9.5
Beijer Alma Ab	1.9	1.9	1.8	10.2	10.4	9.6	13.7	13.8	12.6	13.3	15.6	13.7
Beijer Ref Ab (Publ)	2.7	2.4	2.3	22.8	18.9	17.3	28.4	23.5	21.4	45.1	36.7	33.0
Bufab Ab (Publ)	1.5	1.5	1.4	11.3	11.1	10.6	14.5	14.1	13.3	15.2	14.6	13.4
Indutrade Ab	3.1	3.0	2.9	17.3	17.5	16.7	22.6	23.5	22.3	27.6	29.3	26.8
Lagercrantz Group Ab	3.5	2.9	2.7	17.7	14.8	14.1	24.8	20.0	19.3	34.9	28.2	27.9
Lifco Ab (Publ)	3.8	3.8	3.7	16.5	18.1	17.0	20.8	23.5	21.8	27.7	31.3	28.8
Sdiptech Ab (Publ)	3.0	2.6	2.3	12.8	11.4	10.1	17.0	14.6	12.5	18.8	16.6	13.6
Volati Ab	1.4	1.4	1.4	11.6	11.4	10.7	15.8	15.5	13.5	17.4	19.3	17.3
Compounders average	2.5	2.3	2.2	14.7	13.7	12.9	19.6	18.2	17.0	24.5	23.0	21.5
Compounders median	2.8	2.4	2.3	14.7	13.1	12.4	18.9	17.7	16.4	23.2	23.6	22.0
Total average	2.0	1.9	1.8	12.0	11.5	10.7	15.6	15.0	13.8	19.0	18.3	16.8
Total median	1.7	1.7	1.6	11.4	11.2	10.4	14.8	14.3	12.9	17.4	16.6	13.7
Total average (70%/30%)	1.7	1.7	1.6	10.4	10.2	9.3	13.2	13.0	11.9	15.2	15.1	13.5
Total median (70%/30%)	1.5	1.3	1.3	9.7	9.6	8.9	13.4	12.6	11.6	14.0	14.7	13.2
Relais (Nordea)	1.3	1.2	1.1	8.4	7.2	6.4	14.3	11.6	9.7	16.1	11.4	9.7
difference to weighted median	-14%	-13%	-16%	-14%	-25%	-28%	7%	-8%	-16%	15%	-22%	-27%

Source: Refinitiv and Nordea estimates

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

Based on our EUR 44.4m 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 9.6x for 2023E.

P/E-based valuation of EUR 12.4-15.2 per share

Using a EUR 0.92 EPS estimate for 2023, we arrive at a fair value range of EUR 12.4-15.2 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 14.7x 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	450-526	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	341-416	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	11.2%	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	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
NWC/sales	25%	25%	25%	25%	25%	25%	25%
FCFF, CAGR	33.1%	3.4%	2.5%	2.5%	2.5%	-22.8%	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 16.9-23.9 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	28.8	25.2	22.4	20.0	17.9
	+0.5pp	27.1	23.9	21.2	18.9	17.0
		25.5	22.5	20.0	17.9	16.1
	-0.5pp	23.9	21.1	18.9	16.9	15.3
	-1.0pp	22.2	19.8	17.7	15.9	14.4

		WACC				
		5.7%	6.2%	6.7%	7.2%	7.7%
Sales growth change	+1.0pp	28.3	24.8	21.9	19.6	17.5
	+0.5pp	26.8	23.6	20.9	18.7	16.8
		25.5	22.5	20.0	17.9	16.1
	-0.5pp	24.3	21.5	19.2	17.2	15.5
	-1.0pp	23.1	20.5	18.4	16.5	14.9

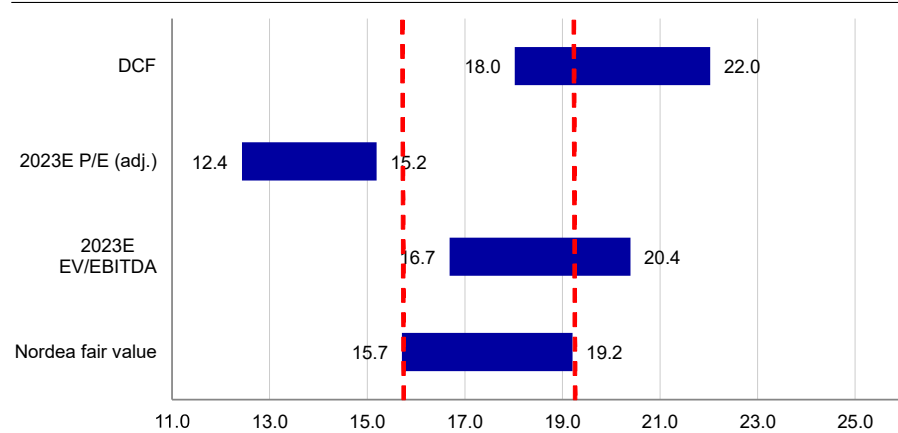
		Sales growth change				
		-1.0pp	-0.5pp		+0.5pp	+1.0pp
EBIT margin change	+1.0pp	20.4	21.3	22.4	23.5	24.7
	+0.5pp	19.4	20.3	21.2	22.2	23.3
		18.4	19.2	20.0	20.9	21.9
	-0.5pp	17.4	18.1	18.9	19.7	20.6
	-1.0pp	16.4	17.0	17.7	18.4	19.2

Source: Nordea estimates

Valuation conclusion

Assuming that Relais can deliver revenue growth and an operating profit margin in line with our expectations, we estimate a fair value range of EUR 15.7-19.2 (15.9-19.5) 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 22	Q4 22E	2018	2019	2020	2021	2022E	2023E	2024E	
Net sales	53	52	59	74	62	59	65	75	72	99	129	238	261	275	284	
Sales growth	80%	78%	79%	98%	16%	13%	10%	2%	20%	37%	30%	84%	10%	5%	4%	
of which organic	9%	9%	9%	9%	-9%	-2%	0%	-1%	10%	2%	3%	9%	-3%	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%	12%	7%	10%	36%	27%	74%	15%	1%	0%	
Other operating income	0.9	0.7	0.5	0.9	0.7	0.8	0.6	0.5	0.4	0.5	1.0	3.1	2.5	2.6	2.6	
Materials and services	-33	-30	-33	-42	-34	-32	-36	-42	-48	-66	-84	-138	-144	-150	-155	
Gross profit	20.5	22.5	24.8	31.8	28.1	26.6	28.8	33.5	24.3	33.1	45.0	99.6	117.0	124.7	129.6	
Gross margin %	38.3%	43.2%	42.3%	43.2%	45.3%	45.4%	44.4%	44.5%	33.6%	33.4%	34.9%	41.9%	44.9%	45.4%	45.6%	
Staff costs	-9	-12	-11	-15	-14	-14	-12	-16	-10	-12	-17	-47	-56	-58	-60	
Other operating costs	-4	-4	-5	-7	-6	-6	-6	-6	-6	-8	-10	-20	-25	-24	-24	
EBITDA	7.5	7.0	10.5	11.0	8.9	6.6	11.1	12.0	8.7	13.3	19.1	36.0	38.6	44.4	48.4	
EBITDA margin %	14.0%	13.4%	17.9%	15.0%	14.3%	11.2%	17.1%	16.0%	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	-4.3	-4.3	-3.0	-5.5	-8.0	-13.0	-16.4	-16.6	-16.8	
of which depreciations	-1.8	-2.9	-2.5	-3.0	-3.1	-3.2	-3.4	-3.4	-0.3	-0.4	-0.4	-10.3	-13.1	-13.2	-13.4	
of which amortizations	-0.5	-0.7	-0.7	-0.7	-0.8	-0.8	-0.9	-0.9	-2.7	-5.1	-7.6	-2.7	-3.3	-3.4	-3.5	
EBITA	5.7	4.1	8.0	8.0	5.7	3.4	7.7	8.6	8.4	13.0	18.7	25.7	25.4	31.2	35.0	
NRI	-1.0	-0.6	-0.3	-0.7	-0.5	-0.4	-0.3	0.0	0.0	0.0	0.0	-2.6	-1.1	0.0	0.0	
Adj. EBITA	6.7	4.7	8.3	8.7	6.2	3.8	7.9	8.6	8.4	13.0	18.7	28.3	26.6	31.2	35.0	
Adj. EBITA margin %	12.5%	9.0%	14.1%	11.8%	10.0%	6.5%	12.3%	11.5%	11.6%	13.1%	14.5%	11.9%	10.2%	11.3%	12.3%	
-growth y/y					-7%	-19%	-4%	-1%	4%	55%	44%		-9%	17%	12%	
EBITA Bridge													-1.8	4.6	3.8	
Organic														-2.8	4.8	4.4
FX														-0.7	0.0	0.0
Structural														4.2	0.4	0.0
Cost vs price														-2.5	-0.6	-0.6
EBIT	5.1	3.4	7.3	7.3	5.0	2.6	6.8	7.8	5.7	7.9	11.1	23.0	22.1	27.8	31.6	
EBIT margin %	9.6%	6.5%	12.4%	9.9%	8.0%	4.4%	10.5%	10.3%	7.9%	7.9%	8.6%	9.7%	8.5%	10.1%	11.1%	
Net financials	-1.6	-0.5	-1.2	-1.2	-1.2	-1.9	-1.7	-1.6	-0.9	-5.4	-0.7	-4.6	-6.4	-5.3	-5.1	
PTP	3.5	2.8	6.1	6.1	3.8	0.7	5.1	6.2	4.8	2.5	10.4	18.5	15.7	22.5	26.4	
Tax	-0.9	-0.7	-1.5	-0.9	-1.1	-0.7	-1.4	-1.4	-1.5	-1.9	-3.4	-4.1	-4.6	-5.3	-6.1	
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	0.0	0.0	0.0	
Net profit for equity	2.6	2.1	4.6	5.2	2.7	0.0	3.7	4.8	3.1	0.4	6.9	14.3	11.1	17.2	20.3	
Net profit	2.6	2.1	4.6	5.2	2.7	0.0	3.7	4.8	3.3	0.6	7.0	14.4	11.1	17.2	20.3	
EPS (undiluted)	0.14	0.12	0.25	0.29	0.15	0.00	0.21	0.26	0.36	0.03	0.41	0.80	0.62	0.96	1.13	

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. After the COVID-19 pandemic, the company is facing tougher environment towards B2C, mainly due to lower consumer confidence and high inflation.

A sluggish economy could negatively affect car service and spare parts sales	<p>General economy</p> <p>The car service industry is to some extent dependent on the general economy. In times of strong economic activity, people are more inclined to spend money on car service and upgrades. Typically, unemployment rates decrease at such times, which also increases consumers' disposable income.</p> <p>Despite the improved COVID-19 situation, the outlook for Nordic economies has suffered from geopolitical tensions. If people start cutting back on car service spending and/or postpone servicing their cars, Relais could see a negative impact on its sales and earnings. After recent acquisitions, Relais is also more dependent on commercial vehicles and related services, which could be affected if economic activity deteriorates. Recent additions to the service business should improve business predictability, 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 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	261	275	284
Revenue growth	31.3%	28.6%	9.1%	2.6%	19.9%	36.6%	30.3%	84.5%	9.6%	5.4%	3.5%
of which organic	7.0%	8.8%	9.5%	-0.8%	9.5%	2.0%	3.0%	9.1%	-2.8%	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	44	48
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	25	31	35
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	22	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	16	23	26
Reported taxes	0	0	-1	-1	-2	-2	-3	-4	-5	-5	-6
Net profit from continued operations	0	0	3	4	3	1	7	14	11	17	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	14	11	17	20
EPS, EUR	n.a.	n.a.	0.22	0.42	0.34	0.03	0.39	0.77	0.59	0.92	1.09
DPS, EUR	0.00	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.38	0.42	0.47
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.38	0.42	0.47
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%	9.8%	11.3%	12.3%
EBIT	n.a.	n.a.	11.6%	10.2%	7.9%	7.9%	8.6%	9.7%	8.5%	10.1%	11.1%

Adjusted earnings

EBITDA (adj)	0	0	11	8	9	13	19	39	40	44	48
EBITA (adj)	0	0	10	8	8	13	19	28	27	31	35
EBIT (adj)	0	0	8	6	6	8	11	26	23	28	32
EPS (adj, EUR)	n.a.	n.a.	0.40	0.42	0.34	0.29	0.39	0.91	0.65	0.92	1.09

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%	10.2%	11.3%	12.3%
EBIT (adj)	0.0%	0.0%	14.4%	10.2%	7.9%	7.9%	8.6%	10.8%	8.9%	10.1%	11.1%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	17.6%	16.0%	14.3%	17.8%	18.7%	19.0%	32.2%	34.0%	30.6%	23.5%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	32.1%	35.8%	38.5%	29.4%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27.5%	29.2%	37.2%	32.1%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.6%	7.4%	22.0%	103.2%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	36.3%
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%	8.7%	9.2%
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	16.8	11.9	10.1
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	15.3	16.4	8.8	7.6	6.7
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	15.6	22.3	13.1	10.8	9.2
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	26.3	24.6	15.0	12.1	10.2

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	34.3	18.4	11.9	10.1
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	1.37	2.26	2.66	1.34	1.23	1.14
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	10.2	15.3	17.5	9.0	7.6	6.7
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	10.5	15.6	24.5	13.7	10.8	9.2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	17.3	26.3	27.4	15.8	12.1	10.2
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	1.2%	2.0%	1.4%	3.5%	3.8%	4.3%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	-61.8%	2.8%	-10.2%	5.7%	13.1%	15.1%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	1.4%	6.0%	0.5%	6.1%	8.7%	10.7%
Payout ratio	n.a.	n.a.	0.0%	0.0%	0.0%	33.9%	77.4%	39.7%	58.2%	45.6%	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	132	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	49	49	48
of which leased assets	0	0	0	0	0	0	0	54	45	45	45
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	186	182	178
Inventory	0	0	26	27	29	43	44	73	78	82	85
Accounts receivable	0	0	5	8	8	12	13	34	35	37	38
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	16	17	21
Total current assets	0	0	35	37	42	88	95	119	138	145	154
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	324	327	332
Shareholders equity	0	0	6	11	17	64	72	102	107	117	130
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	107	117	130
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	324	327	332
Balance sheet and debt metrics											
Net debt	0	0	22	22	18	35	28	140	143	132	118
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	64	67	70
Invested capital	0	0	33	35	36	100	103	250	250	249	248
Capital employed	0	0	32	37	37	128	135	254	266	267	269
ROE	n.m.	n.m.	64.1%	44.7%	22.7%	1.0%	10.2%	16.5%	10.6%	15.4%	16.4%
ROIC	n.m.	n.m.	41.0%	14.4%	12.9%	9.2%	8.7%	11.6%	7.4%	8.9%	10.2%
ROCE	n.m.	n.m.	53.4%	17.9%	15.7%	9.6%	10.1%	13.8%	10.3%	11.8%	13.1%
Net debt/EBITDA	n.m.	n.m.	2.5	2.6	2.0	2.6	1.5	3.9	3.7	3.0	2.4
Interest coverage	n.a.	n.a.	9.3	7.1	6.0	1.5	4.6	4.2	2.6	3.5	4.0
Equity ratio	n.m.	n.m.	15.2%	23.8%	34.7%	44.5%	46.5%	33.1%	32.9%	35.8%	39.1%
Net gearing	n.m.	n.m.	244.3%	152.2%	102.0%	54.3%	39.1%	136.5%	134.0%	112.9%	90.9%

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	44	48
Paid taxes	0	0	0	0	-2	-2	-3	-5	-5	-5	-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	37
Change in NWC	0	0	0	0	-2	-3	1	-12	-3	-3	-2
Cash flow from operations (CFO)	0	0	0	0	3	2	16	12	25	30	35
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	21	27	31
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	12	27	31
Free cash flow bef A&D, lease adj	0	0	0	0	3	1	16	2	12	18	22
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	4	1	4
Cash flow metrics											
Capex/D&A	n.m.	n.m.	0.0%	0.0%	6.9%	7.3%	2.5%	17.6%	21.3%	22.1%	22.9%
Capex/Sales	0.0%	0.0%	0.0%	0.0%	0.3%	0.4%	0.2%	1.0%	1.3%	1.3%	1.4%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	8	15	26	11	11	11
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	101	263	492	205	205	205
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	136	292	632	348	338	323
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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Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea IB & Equity Division, Equity Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland	Nordea IB & Equity Division, Equity Research Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden	Nordea IB & Equity Division, Equity Research Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark	Nordea IB & Equity Division, Equity Research Visiting address: Essendropsgate 7 N-0107 Oslo Norway
Tel: +358 9 1651 Fax: +358 9 165 59710	Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Tel: +45 3333 3333 Fax: +45 3333 1520	Tel: +47 2248 5000 Fax: +47 2256 8650
Reg.no. 2858394-9 Satamaradankatu 5 Helsinki			