

2 March 2023

Commissioned research: Relais Group Oyj – Slight miss on adjusted EBITA – new financial target for 2025

Marketing material commissioned by Relais Group Oyj

Relais reported Q4 adjusted EBITA of EUR 7.9m, 8% below consensus and 9% below our estimate. Net sales were EUR 75.2m (up 2% y/y, +4% in constant currencies), 2% above Refinitiv consensus and in line with our estimate. Reported EBIT was EUR 5.3m, 24% below consensus and 32% below our estimate. EBIT was burdened by EUR 1.7m costs related to main list transfer and acquisition. Market situation in repair and maintenance was stable and profitability improved, which we view encouraging taking into consideration challenges during H1. B2B lighting sales stable in Q4, while higher margin B2C sales declined. Sales increased 5% y/y in organic terms in Scandinavia, while those were down 8% y/y in Finland-Baltics, reflecting the general market conditions. The company has managed to increase prices and tackle inflation impact on gross profit. Operating expenses came above our expectations, which we believe related to higher marketing spend in online business. Operating cash flow improved substantially and was EUR 17.2m (EUR 7.9m a year ago), driven by 8% y/y (-12% q/q) decline in inventories. Dividend proposal stands at EUR 0.40 per share, above consensus at EUR 0.34 and is payable in two instalments. Relais does not give short-term outlook, while we note new financial target of EUR 50m adjusted EBITA (pro forma) for 2025. Earlier target was EUR 500m top line (pro forma) for 2026. The company is accelerating its growth plan and sees large amount of potential acquisition targets with increasingly attractive valuation levels. We have modelled EUR 38m adjusted EBITA for 2025E on organic basis, while based on our M&A scenario, we view new financial target achievable through M&A. Our initial take is that, despite slight Q4 miss, consensus EBITA revisions could remain fairly muted after the Q4 report (we have been 8% above on adjusted EBITA for 2023E), while we note new financial target and above expectations dividend proposal.

RELAIS GROUP OYJ: DEVIATION TABLE

EURm	Actual Q4 2022	NDA est. Q4 2022	Deviation vs. actual	Consensus Q4 2022	Deviation vs. actual	Actual Q3 2022	Actual q/q	Actual Q4 2021	Actual y/y
Sales	75.2	75.2	0	74.0	1	64.8	16%	73.5	2%
Gross profit	33.7	33.5	0.2	34		28.8	17%	31.8	
Gross margin	44.8%	44.5%	0.3pp	45.9%		44.4%	0.4pp	43.2%	1.5pp
Adj. EBITA	7.9	8.6	(0.7)	8.6	-0.7	7.9	0%	8.7	-9%
Adj. EBITA margin	10.5%	11.5%	-1.0pp	11.6%	-1.1pp	12.3%	-1.7pp	11.8%	-1.3pp
EBITA	6.2	8.6	-2.5			7.7	-20%	8.0	-23%
EBITA margin	8.2%	11.5%	-3.3pp			11.9%	-3.6pp	10.9%	-2.7pp
EBIT	5.3	7.8	-2.5	7.0	-1.7	6.8	-22%	7.3	-27%
EBIT margin	7.1%	10.3%	-3.3pp	9.5%	-2.4pp	10.5%	-3.5pp	9.9%	-2.8pp
PTP	3.7	6.2	-2.5	5.1		5.1	-28%	6.1	-39%
EPS	0.20	0.25	-21%	0.23	-0.03	0.20		0.28	
DPS	0.40	0.38	5%	0.34	0.02			0.36	11%

Source: Company data, Refinitiv and Nordea estimates

Q4 adjusted EBITA burdened by mix

Relais Q4 net sales were EUR 75.2m, up 2% y/y (+4% in constant currencies, and came 2% above Refinitiv consensus expectations. We note weak quality of consensus. Scandinavian businesses performed well, while the market was weaker in Finland-Baltics. Sales increased 5% y/y in organic terms in Scandinavia (+8% in Q3) and declined 8% y/y in Finland-Baltics (-8% in Q3).

Adjusted EBITA was 7.9m in Q4, down 9% y/y (-4% in Q3), and came 8% below consensus and 9% below Nordea estimates. We believe the miss relates to marketing spend, especially within online business.

Q4 EBIT was EUR 5.3m, and came 24% below consensus and 32% below Nordea expectations. There were EUR -1.7m of items affecting comparability in Q4 (we did not anticipated any), related to main list transfer and acquisitions.

Reported EPS of EUR 0.20 missing consensus of EUR 0.23.

DPS proposal stands at EUR 0.40, above consensus at EUR 0.34. We believe this reflects managements confidence on 2023 performance and reduced inventory levels.

Inventories were down 12% q/q (EUR 9.2m). We note that gross margin came in line with our expectation, which indicates that the company has been successful with its inventory reduction without any meaningful discount sales.

Guidance for 2023

The company does not provide a numeric guidance for financial year 2023. Prior to the Q4, Refinitiv consensus has been anticipating 4% sales growth and EUR 28.8m adjusted EBITA in 2023 (EUR 25.8m in 2022). We have modelled 5% sales growth and EUR 31.2m adjusted EBITA in 2023E. Initially, we expect consensus revision to be muted, while we note higher-than-expected DPS and new financial targets. On organic basis, we have anticipated EUR 38m adjusted EBITA in 2025E, while consensus has expected EUR 32m adjusted EBITA in 2024.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	99	129	238	261	275	284
EBITDA (adj)	13	19	39	40	44	48
EBIT (adj)	8	11	26	23	28	32
EBIT (adj) margin	7.9%	8.6%	10.8%	8.9%	10.1%	11.1%
EPS (adj, EUR)	0.29	0.39	0.91	0.65	0.92	1.09
EPS (adj) growth	-13.6%	31.5%	133.9%	-28.0%	41.0%	17.9%
DPS (ord, EUR)	0.10	0.30	0.36	0.38	0.42	0.47
EV/Sales	1.4	2.3	2.7	1.4	1.3	1.2
EV/EBIT (adj)	17.3	26.3	24.6	15.6	12.7	10.7
P/E (adj)	28.0	37.9	29.0	18.0	12.8	10.8
P/BV	1.6	3.7	4.8	2.1	1.9	1.7
Dividend yield (ord)	1.2%	2.0%	1.4%	3.2%	3.6%	4.0%
FCF Yield bef A&D, lease adj	1.4%	6.0%	0.5%	5.6%	8.1%	10.0%
Net debt	35	28	140	143	132	118
Net debt/EBITDA	2.6	1.5	3.9	3.7	3.0	2.4
ROIC after tax	9.2%	8.7%	11.6%	7.4%	8.9%	10.2%

Source: Company data and Nordea estimates

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