

1 August 2023

Commissioned research: Relais Group Oyj – Expanding to workshop equipment business through acquisition in Norway

Marketing material commissioned by Relais Group Oyj

Relais announced expansion to workshop equipment business in Norway. The company acquires workshop equipment business of NDS Group, consisting of AutoMateriell business and the shares in Nordic Lift. In 2022, acquired business unit had NOK 198m sales (~6% of Relais 2023E sales) with NOK 13m EBIT (based on Norwegian GAAP and roughly ~4% of Relais 2023E EBITA), corresponding to a 6.6% margin (we have modelled 12.6% EBITA margin for Relais in 2023E). Acquisition price of NOK 70m, corresponding to 5.4x 2022 EV/EBIT excluding any earn-outs and 7.6x with full NOK 29m earn-outs. Based on our estimates, Relais is trading with 2023E EV/EBITA of ~11.5x. Closing of the deal is today and the acquisition will be financed with existing cash reserves which, based on our calculations takes 2023E net debt/EBITDA to above 3x (including IFRS-16 leases). New workshop equipment business creates a new growth leg for the company and we would not be surprised to see further add-ons in 2024. In addition, we believe the company is seeking for more exposure towards electric vehicles where Norway has a clear head start compared to other Nordic countries. As an example, Nordic Lift and AutoMateriell have worked in Norway with the country's biggest EV supplier and other authorized EV workshops. To our understanding, there is only small seasonality in acquired businesses, although part of the sales are project type. The acquisition is slightly dilutive for margins in the beginning while we do not expect any material synergies from the acquisition as there is no meaningful overlap with existing offering. However, we note that Relais has a good track record on improving margins of acquired businesses. In addition, the business model of acquired businesses appears to be well suited with Relais current operations and should allow efficient capital allocation in the future. We note that the acquisition price is well in line with previous acquisitions and enables future organic and M&A driven growth. We have a fair value range of EUR 16.2-19.8 per Relais share.

RELAIS GROUP OYJ: OUR ESTIMATES VS. CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	Q2 2023E	2023E	2024E	2025E	Q2 2023E	2023E	2024E	2025E	Q2 2023E	2023E	2024E	2025E
Sales	63.0	277	288	298	63.5	275	286	295	-1%	1%	1%	1%
Gross profit	29.0	127	132	137	29.0	127	132	137	0%	0%	0%	0%
Gross margin	46.0%	45.7%	45.9%	46.1%	45.7%	46.2%	46.2%	46.4%	0.3pp	-0.5pp	-0.3pp	-0.4pp
EBITDA	9.2	45.9	50.8	54.1	9.0	45.0	48.5	51.0	2%	2%	5%	6%
EBITDA margin	14.6%	16.5%	17.6%	18.2%	14.2%	16.4%	17.0%	17.3%	0.4pp	0.2pp	0.7pp	0.9pp
Adj. EBITA	5.6	31.5	36.2	39.4	5.0	28.8	32.9	34.8	11%	9%	10%	13%
Adj. EBITA margin	8.8%	11.4%	12.6%	13.2%	7.9%	10.5%	11.5%	11.8%	1.0pp	0.9pp	1.1pp	1.5pp
EBIT	4.7	27.9	32.5	35.7	4.5	29.0	32.5	35.0	4%	-4%	0%	2%
EBIT margin	7.4%	10.0%	11.3%	12.0%	7.1%	10.5%	11.4%	11.9%	0.3pp	-0.5pp	-0.1pp	0.1pp
PTP	2.9	20.3	25.2	28.5	2.5	19.5	22.5	25.5	15%	4%	12%	12%
EPS	0.11	0.79	1.03	1.16	0.11	0.80	0.97	1.09	0%	-1%	6%	7%
DPS		0.42	0.47	0.52		0.43	0.47	0.51		-2%	0%	3%

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	129	238	261	277	288	298
EBITDA (adj)	19	39	39	46	51	54
EBIT (adj)	11	26	22	28	33	36
EBIT (adj) margin	8.6%	10.8%	8.6%	10.1%	11.3%	12.0%
EPS (adj, EUR)	0.39	0.91	0.69	0.79	1.03	1.16
EPS (adj) growth	31.5%	133.9%	-24.2%	15.2%	29.5%	13.6%
DPS (ord, EUR)	0.30	0.36	0.40	0.42	0.47	0.52
EV/Sales	2.3	2.7	1.3	1.4	1.3	1.2
EV/EBIT (adj)	26.3	24.6	14.9	13.5	11.2	9.8
P/E (adj)	37.9	29.0	14.8	16.4	12.7	11.2
P/BV	3.7	4.8	1.8	2.2	2.0	1.8
Dividend yield (ord)	2.0%	1.4%	3.9%	3.2%	3.6%	4.0%
FCF Yield bef A&D, lease adj	6.0%	0.5%	9.4%	7.1%	8.4%	9.5%
Net debt	28	140	143	133	120	105
Net debt/EBITDA	1.5	3.9	3.9	2.9	2.4	1.9
ROIC after tax	8.6%	11.5%	7.0%	9.0%	10.8%	11.9%

Source: Company data and Nordea estimates

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