

30 October 2023

Commissioned research: Relais Group Oyj – Profit improvement expected for Q3 – we are in line with consensus

Marketing material commissioned by Relais Group Oyj

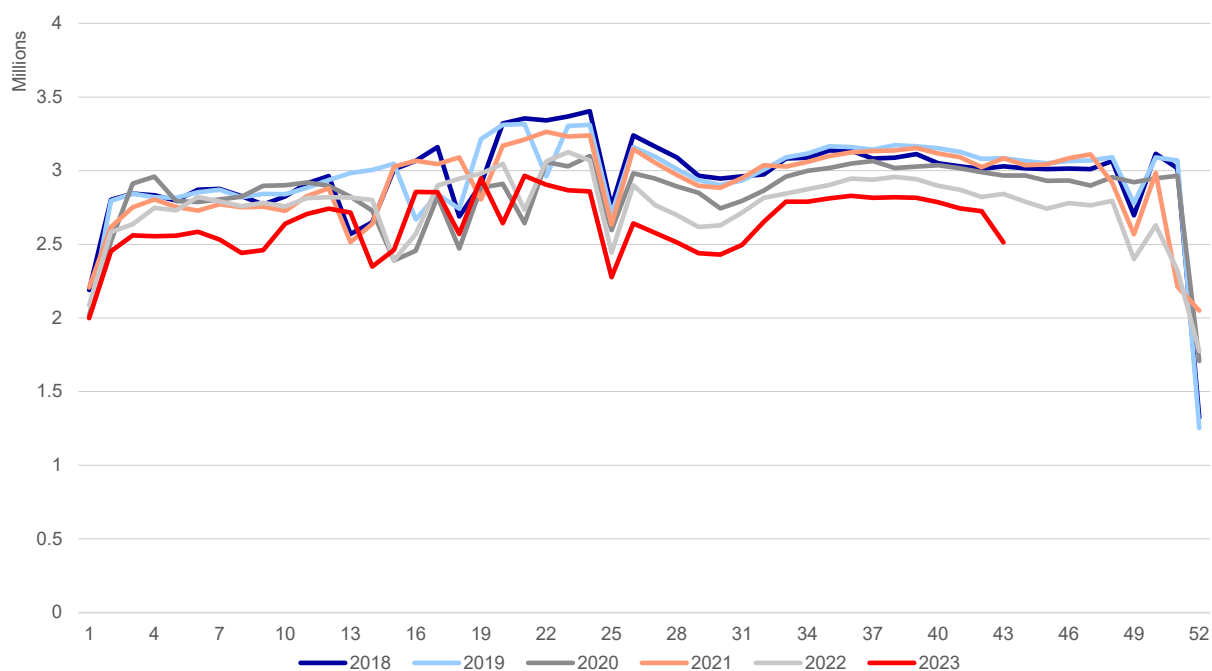
Ahead of Relais Q3, due on 2 November, we maintain our estimates intact. We model Q3E sales up 9% y/y, driven by acquisitions and a slightly positive organic growth. Despite a more challenging macro environment and FX headwinds, we expect positive y/y margin development in Q3E and model adjusted EBITA of EUR 9.1m with margin up 70bp y/y to 13.0%. For Q3E, we are in line with Refinitiv consensus on sales and 1% ahead on adjusted EBITA. Biggest uncertainties in Q3 relate to lighting sales, we believe. Low consumer confidence has likely continued to burden especially higher-margin own channel online sales. Repair and maintenance business has likely continued to benefit from solid demand despite slightly lower heavy traffic mileage in Finland in Q3 (down some 5% y/y on comparable basis). Relais has managed its inventories well during past 12-months and based to our understanding, there are no major destocking risks in the market for Relais. However, cautiousness among customers likely continues with higher interest rates and possible demand volatility. Going forward, in addition to B2C lighting sales, equipment sales could see some headwinds from lower new commercial vehicle sales and tighter cost control among fleet operators. M&A likely remains on the agenda, while we do not expect any additional acquisitions during Q4 due to elevated leverage. Overall, we believe Relais is well positioned against weaker economic conditions as it mainly focuses on 4-10 year old vehicles. In addition, we believe Relais could continue to gain more customers to its repair and maintenance businesses. Fleet operators are likely to favor lower price point independent repair and maintenance operators over OEM's in order to manage their cost base. We have a fair value range of EUR 16.1-19.7 per Relais share.

RELAIS GROUP OYJ: OUR ESTIMATES VS. CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	Q3 2023E	2023E	2024E	2025E	Q3 2023E	2023E	2024E	2025E	Q3 2023E	2023E	2024E	2025E
Sales	70.4	287	310	321	70.0	286	309	319	1%	0%	0%	1%
Gross profit	32.4	132	143	149	32.0	132	143	149	1%	0%	0%	0%
Gross margin	46.0%	46.0%	46.2%	46.4%	45.7%	46.2%	46.3%	46.7%	0.3pp	-0.2pp	-0.1pp	-0.3pp
EBITDA	12.8	45.7	52.0	55.8	12.0	44.5	49.5	52.5	6%	3%	5%	6%
EBITDA margin	18.1%	16.0%	16.8%	17.4%	17.1%	15.6%	16.0%	16.5%	1.0pp	0.4pp	0.7pp	0.9pp
Adj. EBITA	9.1	31.0	36.4	40.1	9.1	31.0	36.0	40.0	1%	0%	1%	0%
Adj. EBITA margin	13.0%	10.8%	11.7%	12.5%	13.0%	10.8%	11.7%	12.5%	0.0pp	0.0pp	0.1pp	0.0pp
EBIT	8.1	27.2	32.7	36.4	7.5	25.5	30.5	33.0	7%	7%	7%	10%
EBIT margin	11.5%	9.5%	10.6%	11.3%	10.7%	8.9%	9.9%	10.3%	0.7pp	0.6pp	0.7pp	1.0pp
PTP	6.2	18.4	25.3	29.5	5.5	16.5	23.0	26.5	12%	12%	10%	11%
EPS	0.25	0.69	1.02	1.20	0.23	0.65	0.96	1.10	8%	7%	7%	9%
DPS		0.42	0.47	0.52		0.42	0.46	0.49		0%	3%	7%

Source: Company data, Refinitiv and Nordea estimates

Weekly traffic observations in Finland, heavy traffic (on comparable basis)



Source: Fintraffic and Nordea

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	129	238	261	287	310	321
EBITDA (adj)	19	39	39	46	52	56
EBIT (adj)	11	26	22	27	33	36
EBIT (adj) margin	8.6%	10.8%	8.6%	9.6%	10.6%	11.3%
EPS (adj, EUR)	0.39	0.91	0.69	0.71	1.02	1.20
EPS (adj) growth	31.5%	133.9%	-24.2%	3.1%	44.2%	17.3%
DPS (ord, EUR)	0.30	0.36	0.40	0.42	0.47	0.52
EV/Sales	2.3	2.7	1.3	1.2	1.1	1.0
EV/EBIT (adj)	26.3	24.6	14.9	12.4	10.2	8.7
P/E (adj)	37.9	29.0	14.8	14.6	10.1	8.6
P/BV	3.7	4.8	1.8	1.8	1.6	1.4
Dividend yield (ord)	2.0%	1.4%	3.9%	4.1%	4.5%	5.0%
FCF Yield bef A&D, lease adj	6.0%	0.5%	9.4%	6.9%	9.1%	12.3%
Net debt	28	140	143	146	138	123
Net debt/EBITDA	1.5	3.9	3.9	3.2	2.7	2.2
ROIC after tax	8.6%	11.5%	7.0%	8.6%	10.3%	11.4%

Source: Company data and Nordea estimates

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