

Relais Group Oyj

Consumer Goods
Finland

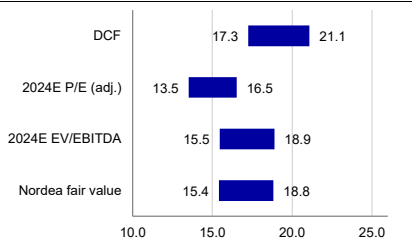
KEY DATA

Stock country	Finland
Bloomberg	RELAIS.FH
Reuters	RELAIS.HE
Share price (close)	EUR 12.75
Free float	36%
Market cap. (bn)	EUR 0.24/EUR 0.24
Website	www.relais.fi
Next report date	07 Mar 2024

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2023E	2024E	2025E
Sales	0%	1%	1%
EBIT (adj)	-1%	-4%	-1%

Source: Nordea estimates

Nordea IB & Equity - Analysts

Joni Sandvall
AnalystSanna Perälä
Analyst

Solid performance likely to continue

We make only minor estimate revisions ahead of Relais' Q4 report, due on 7 March. Traffic observations point to a relatively stable end-market demand situation, while the early and cold winter has likely supported electricity-related spare parts sales. Consumer-related lighting sales likely remained under pressure during Q4, but we expect solid cash flows for the quarter, backed by normalised net working capital. Despite the challenging macro environment, we note resilience in end-market demand and FX tailwinds from Q2 onwards. We derive a slightly lower fair value range of EUR 15.4-18.8 (15.9-19.4) based on a DCF model and multiples.

Cold and early winter to support spare part sales

We forecast Q4 sales to be up 11% y/y, to EUR 83m, supported by 4% organic growth. The end market has remained unchanged relative to Q3 considering road traffic observations. Total traffic observations in Finland were flat y/y in Q4, while heavy traffic observations were down 6% y/y. We expect Relais to continue to gain new fleet operators in its repair and maintenance business, due to its lower price point compared to OEMs. Although we expect higher-margin lighting sales to be down slightly y/y, the cold and early winter likely supported electricity-related spare parts sales. Relais was able to improve its net working capital during 2023, and we expect slightly improving operating cash flow y/y.

Minor estimate revisions – FX tailwinds for 2024

We make only minor estimate revisions ahead of the Q4 report. We raise the 2024E-25E top line by 1%, while trimming 2024E adjusted EBITA by 3%, mainly due to slightly higher salary expectations. We expect DPS of EUR 0.40 for 2023. We note that FX headwinds are turning into tailwinds for 2024, which in addition to the top line and EBITA, could support net financials thanks to the company's internal loans.

2025 financial target remains achievable

Relais targets EUR 50m of pro forma EBITA by 2025. We view this as achievable through M&A, but the company might favour lower leverage given the current interest rate environment. Based on our M&A model and assuming fully debt-financed acquisitions, we calculate EUR ~5m of EBITA potential from M&A if Relais keeps its leverage at 3x. This would result in 2025E EBITA of EUR 44m versus our base case of EUR 39m. In the case of larger acquisitions, we believe Relais could use equity-type financing.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	99	129	238	261	286	311	322
EBITDA (adj)	13	19	39	39	45	50	54
EBIT (adj)	8	11	26	22	26	31	35
EBIT (adj) margin	7.9%	8.6%	10.8%	8.6%	9.2%	9.8%	10.8%
EPS (adj, EUR)	0.29	0.39	0.91	0.69	0.69	0.94	1.14
EPS (adj) growth	-13.6%	31.5%	133.9%	-24.2%	-0.3%	36.9%	21.8%
DPS (ord, EUR)	0.10	0.30	0.36	0.40	0.40	0.46	0.52
EV/Sales	1.4	2.3	2.7	1.3	1.3	1.2	1.1
EV/EBIT (adj)	17.3	26.3	24.6	14.9	14.5	12.3	10.4
P/E (adj)	28.0	37.9	29.0	14.8	18.6	13.6	11.2
P/BV	1.6	3.7	4.8	1.8	2.2	2.0	1.8
Dividend yield (ord)	1.2%	2.0%	1.4%	3.9%	3.1%	3.6%	4.1%
FCF Yield bef A&D, lease	1.4%	6.0%	0.5%	9.4%	7.3%	6.4%	9.2%
Net debt	35	28	140	143	143	137	123
Net debt/EBITDA	2.6	1.5	3.9	3.9	3.2	2.7	2.3
ROIC after tax	9.1%	8.6%	11.5%	7.0%	8.3%	9.7%	11.0%

Source: Company data and Nordea estimates

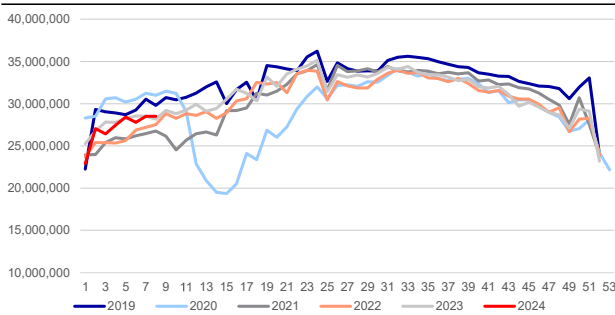
Expectations ahead of Q4

Relais will report its Q4 results on 7 March. LSEG Data & Analytics consensus estimates have remained largely unchanged since the Q2 2023 report, and we expect stable underlying development to continue in Q4. Road traffic observations remained flat in Finland in Q4, although heavy traffic observations were down 6% y/y. In the first eight weeks of 2024, observations were down 2% y/y for whole traffic and down 5% for heavy traffic. For Relais, Q4 will likely be supported by the early winter, which traditionally has supported electricity-related spare part sales. Although we still expect a slight y/y decline in lighting sales, easing raw material costs and lower freight rates could support margins. We model Q4 sales up 11% on a reported basis (supported by acquisitions) and up 4% on an organic basis. FX headwinds are set to turn into tailwinds from Q2 2024 onwards. We forecast EUR 8.8m in adjusted EBITA for Q4, up 12% y/y, corresponding to a 10.6% margin. For Q4 2023E, we are 1% ahead of consensus on sales and 2% below on adjusted EBITA. For 2024E-25E, we are 0-1% ahead on sales and 1-2% below on adjusted EBITA.

Heavy traffic observations down 6% y/y in Q4 in Finland

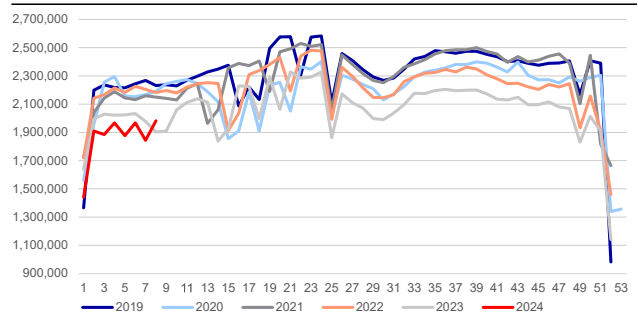
According to Fintraffic, road traffic observations were flat in Finland in Q4. However, heavy traffic observations were down 6% y/y in Q4. For the first eight weeks of 2024, road traffic observations were down 2% y/y, while heavy traffic observations were down 5% y/y. We note the importance of a slightly older car parc for Relais, as operators with younger fleets are more inclined to use OEM services over independent service providers.

WEEKLY TRAFFIC OBSERVATIONS IN FINLAND, ALL VEHICLES (ON COMPARABLE BASIS)



Source: Fintraffic

WEEKLY TRAFFIC OBSERVATIONS IN FINLAND, HEAVY TRAFFIC (ON COMPARABLE BASIS)

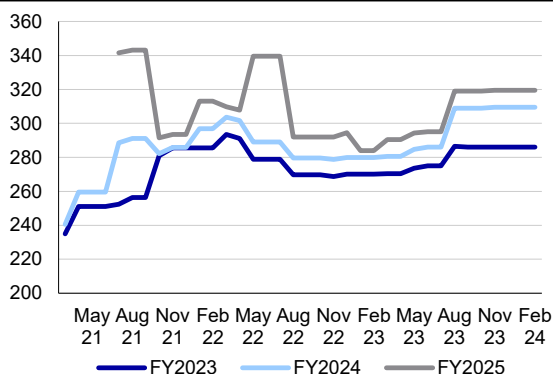


Source: Fintraffic

Q4 report due out on 7 March

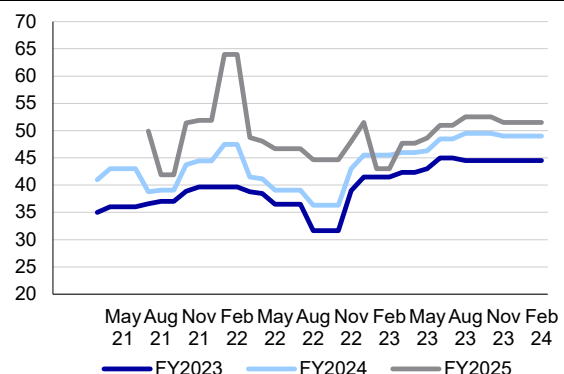
Relais will report its Q4 results on 7 March at 9:00 EET. Consensus expectations have remained largely intact since the Q2 2023 report.

CONSENSUS SALES FORECASTS (EURm)

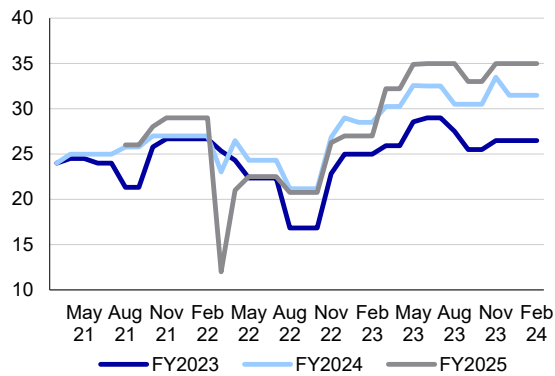


Source: LSEG Data & Analytics

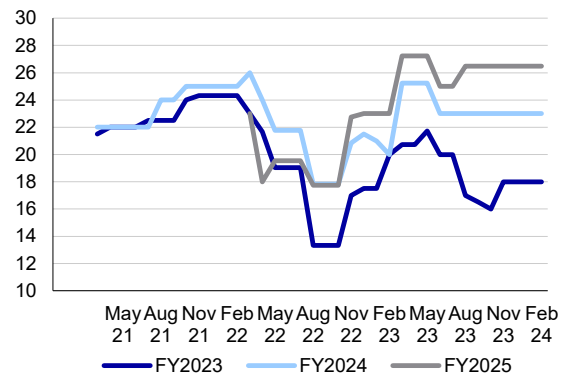
CONSENSUS EBITDA FORECASTS (EURm)



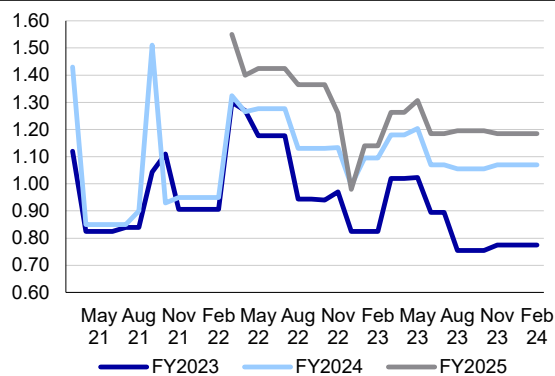
Source: LSEG Data & Analytics

CONSENSUS EBIT FORECASTS (EURm)

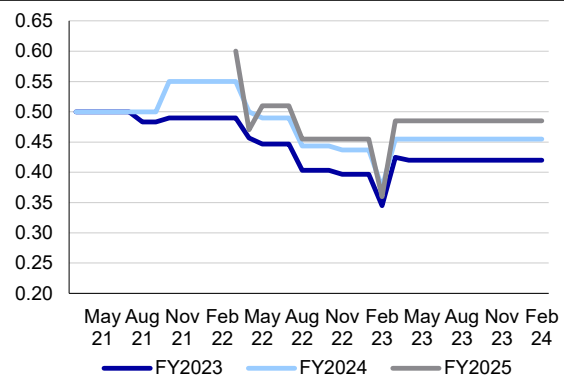
Source: LSEG Data & Analytics

CONSENSUS PTP FORECASTS (EURm)

Source: LSEG Data & Analytics

CONSENSUS EPS FORECASTS (EUR)

Source: LSEG Data & Analytics

CONSENSUS DPS FORECASTS (EUR)

Source: LSEG Data & Analytics

We are largely in line with consensus for 2023E-25E

We are 0-1% ahead of LSEG Data & Analytics consensus on the top line, but 1-2% below on adjusted EBITA for 2024E-25E.

OUR ESTIMATES VERSUS CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	Q4 2023E	2023E	2024E	2025E	Q4 2023E	2023E	2024E	2025E	Q4 2023E	2023E	2024E	2025E
Sales	83.1	286	311	322	82.0	286	310	320	1%	0%	0%	1%
Gross profit	38.2	132	144	150	38.0	132	143	149	1%	0%	0%	1%
Gross margin	46.0%	46.0%	46.2%	46.6%	46.3%	46.2%	46.2%	46.6%	-0.3pp	-0.1pp	0.0pp	-0.1pp
EBITDA	12.6	44.4	49.8	54.2	13.0	44.5	49.0	51.5	-3%	0%	2%	5%
EBITDA margin	15.1%	15.5%	16.0%	16.8%	15.9%	15.6%	15.8%	16.1%	-0.7pp	-0.1pp	0.2pp	0.7pp
Adj. EBITA	8.8	29.8	34.5	38.7	9.0	30.0	35.0	39.0	-2%	-1%	-2%	-1%
Adj. EBITA margin	10.6%	10.4%	11.1%	12.0%	11.0%	10.5%	11.3%	12.2%	-0.3pp	-0.1pp	-0.2pp	-0.2pp
EBIT	8.0	26.1	30.5	34.7	8.0	26.5	33.5	35.0	-1%	-2%	-9%	-1%
EBIT margin	9.6%	9.1%	9.8%	10.8%	9.8%	9.3%	10.8%	11.0%	-0.2pp	-0.2pp	-1.0pp	-0.2pp
PTP	6.1	17.7	23.5	28.2	6.0	18.0	23.0	26.5	1%	-2%	2%	7%
EPS	0.27	0.67	0.94	1.14	0.28	0.67	0.96	1.09	-1%	1%	-2%	5%
DPS		0.40	0.46	0.52		0.42	0.46	0.49		-5%	1%	7%

Source: LSEG Data & Analytics and Nordea estimates

Estimate revisions

We make only minor estimate revisions ahead of the Q4 report. We raise the top line slightly for 2024E-25E, due to FX. In addition, we lower adjusted EBITA by 3% for 2024E, mainly due to higher salary expectations.

ESTIMATE REVISIONS (EURm; EPS AND DPS IN EUR)

EURm	New estimates				Old estimates				Difference %			
	Q4 2023E	2023E	2024E	2025E	Q4 2023E	2023E	2024E	2025E	Q4 2023E	2023E	2024E	2025E
Sales	83.1	286	311	322	82.5	286	309	320	1%	0%	1%	1%
Gross profit	38.2	132	144	150	38.0	132	143	149	1%	0%	0%	1%
Gross margin	46.0%	46.0%	46.2%	46.6%	46.1%	46.1%	46.4%	46.6%	-0.1pp	0.0pp	-0.2pp	0.0pp
Adj. EBITA	8.8	29.8	34.5	38.7	9.0	30.1	35.4	38.9	-2%	-1%	-3%	0%
Adj. EBITA margin	10.6%	10.4%	11.1%	12.0%	11.0%	10.5%	11.5%	12.1%	-0.3pp	-0.1pp	-0.4pp	-0.1pp
EBITA	8.8	29.6	34.5	38.7	9.0	29.8	35.4	38.9	-2%	-1%	-3%	0%
EBITA margin	10.6%	10.3%	11.1%	12.0%	11.0%	10.4%	11.5%	12.1%	-0.3pp	-0.1pp	-0.4pp	-0.1pp
EBIT	8.0	26.1	30.5	34.7	8.2	26.3	31.8	35.2	-3%	-1%	-4%	-1%
EBIT margin	9.6%	9.1%	9.8%	10.8%	9.9%	9.2%	10.3%	11.0%	-0.3pp	-0.1pp	-0.5pp	-0.2pp
PTP	6.1	17.7	23.5	28.2	6.3	17.9	24.7	28.5	-3%	-1%	-5%	-1%
EPS	0.27	0.67	0.94	1.14	0.27	0.66	1.00	1.16	2%	1%	-6%	-1%
DPS		0.40	0.46	0.52		0.42	0.47	0.52		-5%	-2%	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 slightly lower fair valuation range of EUR 15.4-18.8 (15.9-19.4) 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		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023	2024E	2025E
Peer group												
Advance Auto Parts Inc	0.4x	0.4x	0.3x	9.6x	5.9x	5.4x	35.2x	10.8x	9.5x	135.5	18.1	14.6
Auto Partner Sa	1.0x	0.9x	0.7x	10.3x	8.7x	7.2x	11.7x	9.9x	8.2x	15.5	12.6	10.1
Autozone Inc	3.4x	3.2x	3.1x	15.0x	13.5x	13.0x	17.0x	15.4x	14.9x	22.4	19.8	18.2
Inter Cars Sa	0.6x	0.5x	0.5x	7.7x	7.2x	6.5x	8.9x	8.3x	7.6x	9.6	8.9	7.8
Camping World Holdings Inc	0.8x	0.8x	0.8x	18.4x	14.4x	11.6x	19.3x	14.0x	11.6x	33.0	23.3	12.6
Dometic Group Ab (Publ)	1.5x	1.5x	1.4x	9.3x	9.3x	8.3x	11.8x	12.4x	10.7x	14.0	14.7	11.8
Halfords Group Plc	0.4x	0.4x	0.4x	3.7x	3.9x	3.7x	11.1x	13.9x	12.7x	8.5	11.5	10.2
Meko Ab	0.7x	0.7x	0.6x	6.7x	6.0x	5.7x	12.3x	10.9x	9.8x	12.8	9.7	8.2
O'Reilly Automotive Inc	4.4x	4.1x	3.9x	19.2x	18.0x	16.8x	21.7x	20.5x	19.2x	28.2	25.8	23.2
Thule Group Ab	3.5x	3.3x	3.0x	18.2x	15.5x	13.7x	18.8x	18.0x	15.6x	27.1	22.7	19.6
Peer group average	1.7x	1.6x	1.5x	11.8x	10.2x	9.2x	16.8x	13.4x	12.0x	30.7	16.7	13.6
Peer group median	0.9x	0.8x	0.7x	10.0x	9.0x	7.7x	14.6x	13.1x	11.2x	19.0x	16.4x	12.2
US peers' average	2.2x	2.1x	2.0x	15.6x	12.9x	11.7x	23.3x	15.2x	13.8x	54.8x	21.8x	17.2x
European peers' average	1.3x	1.2x	1.1x	9.3x	8.4x	7.5x	12.4x	12.2x	10.8x	14.6x	13.3x	11.3x
Relais (Nordea)	1.3x	1.2x	1.1x	8.2x	7.2x	6.4x	13.9x	11.8x	10.0x	18.0x	13.2x	10.8x
difference to median	37%	39%	49%	-18%	-20%	-17%	-5%	-10%	-10%	-5%	-20%	-11%
Compounders												
Addtech Ab	3.5	3.2	3.1	22.6	20.0	19.7	30.0	26.6	25.8	41.7	36.8	35.2
Bergman & Beving Ab	1.4	1.4	1.3	11.5	9.9	9.1	19.4	16.0	15.1	23.9	22.2	19.0
Beijer Alma Ab	1.7	1.7	1.6	9.8	8.8	8.3	13.7	12.2	11.1	20.4	17.0	14.5
Beijer Ref Ab (Publ)	2.1	2.0	1.9	16.7	15.7	14.5	21.3	19.6	18.0	29.9	32.4	28.2
Bufab Ab (Publ)	2.2	2.2	2.1	15.0	15.5	14.2	19.2	17.6	16.5	26.6	23.6	19.8
Indutrade Ab	3.4	3.4	3.2	19.0	19.0	18.2	26.2	25.2	24.0	35.1	32.0	29.2
Lagercrantz Group Ab	4.5	3.9	3.7	22.4	19.1	17.8	30.7	25.8	23.9	40.8	33.9	30.7
Lifco Ab (Publ)	5.2	4.9	4.6	20.1	20.1	18.8	26.6	26.4	24.4	38.6	39.4	35.5
Sdptech Ab (Publ)	2.7	2.4	2.2	12.7	10.5	9.4	15.5	14.4	12.7	22.1	17.8	14.8
Volati Ab	1.5	1.4	1.3	11.6	10.4	9.5	15.8	15.7	13.5	17.4	18.4	15.4
Compounders average	2.8	2.6	2.5	16.2	14.9	14.0	21.8	19.9	18.5	29.7	27.4	24.2
Compounders median	2.4	2.3	2.1	15.9	15.6	14.3	20.3	18.6	17.2	28.3	27.8	24.0
Total average	2.2	2.1	2.0	14.0	12.6	11.6	19.3	16.7	15.2	30.2	22.0	18.9
Total median	1.9	1.8	1.7	13.8	12.0	10.6	19.0	15.6	14.2	25.2	21.0	16.8
Total average (70%/30%)	1.9	1.8	1.7	12.7	11.2	10.1	17.8	14.7	13.3	30.5	18.8	15.8
Total median (70%/30%)	1.4	1.3	1.1	11.7	11.0	9.7	16.3	14.8	13.0	21.8	19.8	15.7
Relais (Nordea)	1.3	1.2	1.1	8.2	7.2	6.4	13.9	11.8	10.0	18.0	13.2	10.8
difference to weighted median	-7%	-9%	-5%	-30%	-34%	-34%	-15%	-20%	-23%	-17%	-34%	-31%

Source: LSEG Data & Analytics (as of 29 February 2024) and Nordea estimates

EV/EBITDA-based valuation of EUR 15.5-18.9 per share

Based on our EUR 49.8m EBITDA estimate for 2024 and an accepted valuation multiple range of 8.4-9.6x (midpoint: 9x), we arrive at a fair value range of EUR 15.5-18.9 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 11x for 2024E.

P/E-based valuation of EUR 13.5-16.5 per share

Using a EUR 0.94 EPS estimate for 2024, we arrive at a fair value range of EUR 13.5-16.5 per share using P/E multiples of 14.4-17.6x (midpoint: 16x). 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 19.8x for 2024E.

DCF-based valuation of EUR 17.3-21.1 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 4.3% for 2023-28, 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. We also assign a long-term equity weight of 60% (from the previous 50%).

WACC COMPONENTS	
WACC components	
Risk-free interest rate	3.5%
Market risk premium	4.0%
Forward looking asset beta	nm
Beta debt	0.1
Forward looking equity beta	1.6-2.1
Cost of equity	9.8-11.8%
Cost of debt	4.0%
Tax-rate used in WACC	21%
Equity weight	60%
WACC	7.1-8.4%

Source: Nordea estimates

DCF VALUATION (EUR)		
DCF value	Value	Per share
NPV FCFF	430-503	22.6-26.5
(Net debt)	-143	-7.5
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	41	2.1
DCF Value	328-401	17.3-21.1

Source: Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2023-28	2029-33	2034-38	2039-43	2044-48	2049-53	Sust.
Sales growth, CAGR	4.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
EBIT-margin, excluding associates	11.0%	13.0%	13.0%	13.0%	13.0%	4.8%	
Capex/depreciation, x	0.9	1.0	1.0	1.0	1.0	1.0	
Capex/sales	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	
NWC/sales	21%	21%	21%	21%	21%	21%	
FCFF, CAGR	19.4%	3.8%	2.5%	2.5%	2.5%	-19.8%	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 18.2-25.0 per share.

SENSITIVITY OF OUR DCF MODEL (EUR/SHARE)

- A +/-1 pp sales growth change translates into a change of +9/-8% in the fair value

		WACC				
		6.7%	7.2%	7.7%	8.2%	8.7%
EBIT margin change	+1.0pp	32.0	23.6	21.2	19.1	17.2
	+0.5pp	25.2	22.5	20.2	18.2	16.5
		23.8	21.3	19.2	17.3	15.7
	-0.5pp	22.5	20.2	18.2	16.4	14.9
	-1.0pp	21.2	19.0	17.2	15.5	14.1

- A +/- 1 pp EBIT margin change translates into a change of +/-10% in the fair value

		WACC				
		6.7%	7.2%	7.7%	8.2%	8.7%
Sales growth change	+1.0pp	26.3	23.4	20.9	18.8	17.0
	+0.5pp	25.0	22.3	20.0	18.0	16.3
		23.8	21.3	19.2	17.3	15.7
	-0.5pp	22.8	20.4	18.4	16.6	15.1
	-1.0pp	21.7	19.5	17.6	16.0	14.5

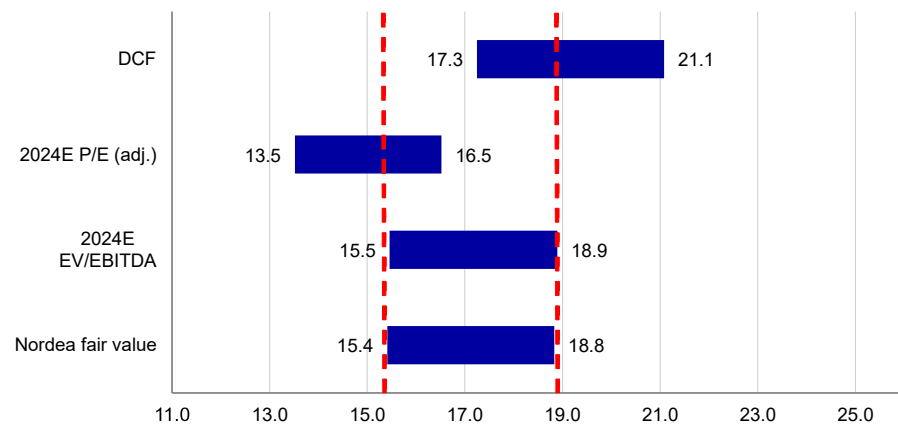
		Sales growth change				
		-1.0pp	-0.5pp		+0.5pp	+1.0pp
EBIT margin change	+1.0pp	19.4	20.2	21.2	22.2	23.2
	+0.5pp	18.5	19.3	20.2	21.1	22.1
		17.6	18.4	19.2	20.0	20.9
	-0.5pp	16.8	17.4	18.2	18.9	19.8
	-1.0pp	15.9	16.5	17.2	17.9	18.6

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 15.4-18.8 (15.9-19.4) 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 QUARTERLY ESTIMATES (EURm; EPS IN EUR)

EURm	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23E
Net sales	53	52	59	74	62	59	65	75	69	64	70	83
Sales growth	80%	78%	79%	98%	16%	13%	10%	2%	11%	9%	8%	11%
of which organic	9%	9%	9%	9%	-9%	-2%	0%	-5%	5%	10%	5%	4%
of which FX	3%	2%	1%	1%	-2%	-2%	-2%	-2%	-3%	-5%	-5%	-2%
of which structural	68%	67%	70%	88%	27%	16%	12%	10%	9%	4%	9%	9%
Other operating income	0.9	0.7	0.5	0.9	0.7	0.8	0.6	0.7	0.6	0.7	0.5	0.7
Materials and services	-33	-30	-33	-42	-34	-32	-36	-42	-37	-35	-38	-45
Gross profit	20.5	22.5	24.8	31.8	28.1	26.6	28.8	33.7	32.1	29.3	32.3	38.2
Gross margin %	38.3%	43.2%	42.3%	43.2%	45.3%	45.4%	44.4%	44.8%	46.5%	45.7%	45.9%	46.0%
Staff costs	-9	-12	-11	-15	-14	-14	-12	-15	-14	-15	-14	-17
Other operating costs	-4	-4	-5	-7	-6	-6	-6	-10	-7	-7	-7	-10
EBITDA	7.5	7.0	10.5	11.0	8.9	6.6	11.1	10.1	11.1	8.6	12.1	12.6
EBITDA margin %	14.0%	13.4%	17.9%	15.0%	14.3%	11.2%	17.1%	13.4%	16.1%	13.4%	17.3%	15.1%
D&A	-2.4	-3.6	-3.2	-3.8	-3.9	-4.0	-4.3	-4.8	-4.5	-4.6	-4.6	-4.6
of which depreciations	-1.8	-2.9	-2.5	-3.0	-3.1	-3.2	-3.4	-3.9	-3.6	-3.8	-3.7	-3.8
of which amortizations	-0.5	-0.7	-0.7	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-0.8	-0.8	-0.9
EBITA	5.7	4.1	8.0	8.0	5.7	3.4	7.7	6.2	7.5	4.8	8.4	8.8
NRI	-1.0	-0.6	-0.3	-0.7	-0.5	-0.4	-0.3	-1.7	-0.1	0.0	-0.2	0.0
Adj. EBITA	6.7	4.7	8.3	8.7	6.2	3.8	7.9	7.9	7.6	4.8	8.6	8.8
Adj. EBITA margin %	12.5%	9.0%	14.1%	11.8%	10.0%	6.5%	12.3%	10.5%	11.0%	7.5%	12.2%	10.6%
-growth y/y					-7%	-19%	-4%	-9%	23%	27%	8%	12%
EBIT	5.1	3.4	7.3	7.3	5.0	2.6	6.8	5.3	6.6	4.0	7.5	8.0
EBIT margin %	9.6%	6.5%	12.4%	9.9%	8.0%	4.4%	10.5%	7.1%	9.6%	6.2%	10.7%	9.6%
Net financials	-1.6	-0.5	-1.2	-1.2	-1.2	-1.9	-1.7	-1.6	-2.1	-2.8	-1.5	-1.9
PTP	3.5	2.8	6.1	6.1	3.8	0.7	5.1	3.7	4.5	1.1	6.0	6.1
Tax	-0.9	-0.7	-1.5	-0.9	-1.1	-0.7	-1.4	0.1	-1.6	-1.0	-1.7	-0.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	3.7	2.9	0.2	4.3	5.1
Net profit	2.6	2.1	4.6	5.2	2.7	0.0	3.7	3.7	2.9	0.2	4.3	5.1
EPS (undiluted)	0.14	0.12	0.25	0.29	0.15	0.00	0.21	0.21	0.16	0.01	0.24	0.28

Source: Company data and Nordea estimates

DETAILED ANNUAL ESTIMATES (EURm; DPS AND EPS IN EUR)

EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net sales	72	99	129	238	261	286	311	322
Sales growth	20%	37%	30%	84%	10%	10%	9%	4%
of which organic	10%	2%	3%	9%	-4%	6%	3%	4%
of which FX	0%	-1%	1%	2%	-2%	-4%	1%	0%
of which structural	10%	36%	27%	74%	15%	8%	5%	0%
Other operating income	0.4	0.5	1.0	3.1	2.8	2.5	2.8	2.9
Materials and services	-48	-66	-84	-138	-143	-155	-167	-172
Gross profit	24.3	33.1	45.0	99.6	117.2	131.9	143.6	149.9
Gross margin %	33.6%	33.4%	34.9%	41.9%	45.0%	46.0%	46.2%	46.6%
Staff costs	-10	-12	-17	-47	-55	-60	-65	-67
Other operating costs	-6	-8	-10	-20	-28	-30	-31	-31
EBITDA	8.7	13.3	19.1	36.0	36.6	44.4	49.8	54.2
EBITDA margin %	12.1%	13.5%	14.8%	15.1%	14.0%	15.5%	16.0%	16.8%
D&A	-3.0	-5.5	-8.0	-13.0	-16.9	-18.3	-19.3	-19.5
of which depreciations	-0.3	-0.4	-0.4	-10.3	-13.6	-14.8	-15.3	-15.5
of which amortizations	-2.7	-5.1	-7.6	-2.7	-3.3	-3.5	-3.9	-4.0
EBITA	8.4	13.0	18.7	25.7	23.0	29.6	34.5	38.7
NRI	0.0	0.0	0.0	-2.6	-2.8	-0.3	0.0	0.0
Adj. EBITA	8.4	13.0	18.7	28.3	25.8	29.8	34.5	38.7
Adj. EBITA margin %	11.6%	13.1%	14.5%	11.9%	9.9%	10.4%	11.1%	12.0%
-growth y/y	4%	55%	44%	56%	-12%	16%	15%	12%
EBIT	5.7	7.9	11.1	23.0	19.6	26.1	30.5	34.7
EBIT margin %	7.9%	7.9%	8.6%	9.7%	7.5%	9.1%	9.8%	10.8%
Net financials	-0.9	-5.4	-0.7	-4.6	-6.5	-8.4	-7.0	-6.5
PTP	4.8	2.5	10.4	18.5	13.2	17.7	23.5	28.2
Tax	-1.5	-1.9	-3.4	-4.1	-3.1	-5.1	-5.8	-6.8
Minority interest	-0.2	-0.2	-0.1	0.0	0.0	0.0	-0.1	0.0
Net profit for equity	3.1	0.4	6.9	14.3	10.1	12.6	17.6	21.5
Net profit	3.3	0.6	7.0	14.4	10.1	12.6	17.7	21.5
EPS (undiluted)	0.36	0.03	0.41	0.80	0.56	0.69	0.97	1.18
DPS		0.10	0.30	0.36	0.40	0.40	0.46	0.52

Note: According to IFRS accounting from 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 a tougher environment for 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 pandemic 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 the acquired companies, this could directly impact sales and earnings.</p>
A share issue could dilute current shareholders' ownership	<p>Financial position</p> <p>Relais has high growth ambitions, 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 considerable 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.

Tech failures 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	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	54	59	60	72	99	129	238	261	286	311	322
Revenue growth	28.6%	9.1%	2.6%	19.9%	36.6%	30.3%	84.5%	9.6%	9.9%	8.5%	3.5%
of which organic	8.8%	9.5%	-0.8%	9.5%	2.0%	3.0%	9.1%	-4.1%	5.8%	2.6%	3.5%
of which FX	0.0%	0.0%	0.0%	0.0%	-1.1%	0.7%	1.5%	-2.0%	-3.7%	1.2%	0.0%
EBITDA	0	9	8	9	13	19	36	37	44	50	54
Depreciation and impairments PPE	0	0	0	0	0	0	-10	-14	-15	-15	-15
of which leased assets	0	0	0	0	0	0	-7	-9	-13	-13	-13
EBITA	0	9	8	8	13	19	26	23	30	34	39
Amortisation and impairments	0	-2	-2	-3	-5	-8	-3	-3	-3	-4	-4
EBIT	n.a.	7	6	6	8	11	23	20	26	31	35
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	-1	-1	-1	-5	-1	-5	-6	-8	-7	-6
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	-2	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	4	5	5	2	10	18	13	18	24	28
Reported taxes	0	-1	-1	-2	-2	-3	-4	-3	-5	-6	-7
Net profit from continued operations	0	3	4	3	1	7	14	10	13	18	21
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	-1	0	0	0	0	0	0	0	0	0
Net profit to equity	0	2	4	3	0	7	14	10	13	18	21
EPS, EUR	n.a.	0.22	0.42	0.34	0.03	0.39	0.77	0.54	0.67	0.94	1.14
DPS, EUR	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.40	0.46	0.52
of which ordinary	0.00	0.00	0.00	0.00	0.10	0.30	0.36	0.40	0.40	0.46	0.52
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%	15.2%	13.8%	12.1%	13.5%	14.8%	15.1%	14.0%	15.5%	16.0%	16.8%
EBITA	0.0%	14.5%	13.4%	11.6%	13.1%	14.5%	10.8%	8.8%	10.3%	11.1%	12.0%
EBIT	n.a.	11.6%	10.2%	7.9%	7.9%	8.6%	9.7%	7.5%	9.1%	9.8%	10.8%

Adjusted earnings

EBITDA (adj)	0	11	8	9	13	19	39	39	45	50	54
EBITA (adj)	0	10	8	8	13	19	28	26	30	34	39
EBIT (adj)	0	8	6	6	8	11	26	22	26	31	35
EPS (adj, EUR)	n.a.	0.40	0.42	0.34	0.29	0.39	0.91	0.69	0.69	0.94	1.14

Adjusted profit margins in percent

EBITDA (adj)	0.0%	18.0%	13.8%	12.1%	13.5%	14.8%	16.2%	15.1%	15.6%	16.0%	16.8%
EBITA (adj)	0.0%	17.3%	13.4%	11.6%	13.1%	14.5%	11.9%	9.9%	10.4%	11.1%	12.0%
EBIT (adj)	0.0%	14.4%	10.2%	7.9%	7.9%	8.6%	10.8%	8.6%	9.2%	9.8%	10.8%

Performance metrics

CAGR last 5 years											
Net revenue	17.6%	16.0%	14.3%	17.8%	18.7%	19.0%	32.2%	34.0%	31.6%	25.7%	20.1%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	32.1%	34.4%	38.4%	30.1%	23.2%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27.5%	26.2%	35.4%	31.2%	25.6%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.6%	5.2%	14.4%	97.4%	24.1%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	35.7%	11.6%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	9.0%	9.0%	8.4%	8.7%	9.0%	9.5%
Average EBITDA margin	0.0%	4.1%	7.0%	9.0%	11.4%	13.9%	14.3%	14.2%	14.8%	15.2%	15.6%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	28.0	37.9	29.0	14.8	18.6	13.6	11.2
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	10.2	15.3	16.4	8.5	8.6	7.6	6.7
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	10.5	15.6	22.3	13.0	12.8	10.9	9.4
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	17.3	26.3	24.6	14.9	14.5	12.3	10.4

VALUATION RATIOS - REPORTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E	n.a.	n.a.	n.a.	n.a.	n.m.	37.9	34.3	19.0	19.0	13.6	11.2
EV/Sales	n.a.	n.a.	n.a.	n.a.	1.37	2.26	2.66	1.28	1.33	1.21	1.13
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	10.2	15.3	17.5	9.1	8.6	7.6	6.7
EV/EBITA	n.a.	n.a.	n.a.	n.a.	10.5	15.6	24.5	14.6	12.9	10.9	9.4
EV/EBIT	n.a.	n.a.	n.a.	n.a.	17.3	26.3	27.4	17.0	14.6	12.3	10.4
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	1.2%	2.0%	1.4%	3.9%	3.1%	3.6%	4.1%
FCF yield	n.a.	n.a.	n.a.	n.a.	-61.8%	2.8%	-10.2%	6.6%	8.6%	11.0%	14.7%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	1.4%	6.0%	0.5%	9.4%	7.3%	6.4%	9.2%
Payout ratio	n.a.	0.0%	0.0%	0.0%	33.9%	77.4%	39.7%	58.2%	58.3%	49.0%	45.5%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Intangible assets	0	5	7	5	54	59	130	133	134	132	128
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	1	0	15	15	15	15	15
of which goodwill	0	5	7	5	54	58	114	118	119	117	113
Tangible assets	0	0	0	0	0	0	59	57	50	52	53
of which leased assets	0	0	0	0	0	0	54	52	40	40	40
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	1	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	5	7	5	54	59	189	191	185	184	181
Inventory	0	26	27	29	43	44	73	68	67	73	76
Accounts receivable	0	5	8	8	12	13	34	33	36	39	40
Short-term leased assets	0	0	0	0	0	0	0	0	13	13	13
Other current assets	0	3	1	2	3	3	0	4	5	5	6
Cash and bank	0	1	2	2	30	35	12	14	9	5	4
Total current assets	0	35	37	42	88	95	119	119	130	136	139
Assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	0	40	44	47	142	154	308	309	315	320	320
Shareholders equity	0	6	11	17	64	72	102	104	109	120	133
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	3	3	1	0	0	0	0	0	0	0
Total Equity	0	9	14	17	64	72	102	104	109	120	133
Deferred tax	0	0	0	0	2	3	6	6	6	6	6
Long term interest bearing debt	0	15	11	14	59	58	91	96	91	81	66
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	3	0	2	0	0	2	1	1	1	1
Non-current lease debt	0	0	0	0	0	0	44	42	41	41	41
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	18	12	16	62	61	143	144	138	128	113
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	3	4	4	7	9	46	35	40	44	45
Current lease debt	0	0	0	0	0	0	11	12	13	13	13
Other current liabilities	0	3	4	5	6	8	0	7	7	8	8
Short term interest bearing debt	0	8	12	6	5	5	6	7	7	7	7
Total current liabilities	0	14	19	15	18	21	63	61	68	72	74
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	40	45	48	143	155	308	309	315	320	320
Balance sheet and debt metrics											
Net debt	0	22	22	18	35	28	140	143	143	137	123
of which lease debt	0	0	0	0	0	0	55	53	54	54	54
Working capital	0	28	28	31	46	44	61	63	61	66	68
Invested capital	0	33	35	36	100	103	250	254	246	250	250
Capital employed	0	32	37	37	128	135	254	260	261	262	260
ROE	n.m.	64.1%	44.7%	22.7%	1.0%	10.2%	16.5%	9.8%	11.8%	15.4%	17.0%
ROIC	n.m.	40.5%	14.2%	12.7%	9.1%	8.6%	11.5%	7.0%	8.3%	9.7%	11.0%
ROCE	n.m.	53.4%	17.9%	15.7%	9.6%	10.1%	13.8%	10.6%	11.2%	12.7%	14.4%
Net debt/EBITDA	n.m.	2.5	2.6	2.0	2.6	1.5	3.9	3.9	3.2	2.7	2.3
Interest coverage	n.a.	9.3	7.1	6.0	1.5	4.6	4.2	2.2	2.6	3.4	4.0
Equity ratio	n.m.	15.2%	23.8%	34.7%	44.5%	46.5%	33.1%	33.6%	34.7%	37.4%	41.5%
Net gearing	n.m.	244.3%	152.2%	102.0%	54.3%	39.1%	136.5%	137.4%	130.4%	114.0%	92.6%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
EBITDA (adj) for associates	0	9	8	9	13	19	36	37	44	50	54
Paid taxes	0	0	0	-2	-2	-3	-5	-3	-5	-6	-7
Net financials	0	0	0	-1	-6	-1	-3	-4	-8	-7	-6
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	3	-3	2	-2	0	1	-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	-11	-6	-2	1	0	-5	1	0	0	0
Funds from operations (FFO)	0	0	0	6	5	15	24	29	31	37	41
Change in NWC	0	0	0	-2	-3	1	-12	0	2	-5	-2
Cash flow from operations (CFO)	0	0	0	3	2	16	12	29	33	32	39
Capital expenditure	0	0	0	0	0	0	-2	-2	-3	-3	-4
Free cash flow before A&D	0	0	0	3	1	16	9	27	30	28	35
Proceeds from sale of assets	0	0	0	0	1	1	0	0	0	0	0
Acquisitions	0	0	0	-1	-65	-9	-60	-15	-9	-2	0
Free cash flow	0	0	0	2	-63	7	-50	13	21	26	35
Free cash flow bef A&D, lease adj	0	0	0	3	1	16	2	18	17	15	22
Dividends paid	0	0	0	0	0	-2	-5	-6	-7	-7	-8
Equity issues / buybacks	0	0	0	0	44	0	1	0	0	0	0
Net change in debt	0	0	0	0	42	-1	32	9	-5	-10	-15
Other financing adjustments	0	0	0	0	0	0	0	0	-13	-13	-13
Other non-cash adjustments	0	1	1	-2	4	1	0	-14	0	0	0
Change in cash	0	1	1	1	27	5	-23	2	-4	-4	-1
Cash flow metrics											
Capex/D&A	n.m.	0.0%	0.0%	6.9%	7.3%	2.5%	17.6%	10.2%	17.5%	17.4%	18.1%
Capex/Sales	0.0%	0.0%	0.0%	0.3%	0.4%	0.2%	1.0%	0.7%	1.1%	1.1%	1.1%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	8	15	26	10	14	13	13
Market cap.	n.a.	n.a.	n.a.	n.a.	101	263	492	192	239	239	239
Enterprise value	n.a.	n.a.	n.a.	n.a.	136	292	632	334	382	376	363
Diluted no. of shares, year-end (m)	0.0	9.1	9.1	9.1	12.3	17.9	18.7	18.8	18.8	18.8	18.8

Source: Company data and Nordea estimates

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