

8 May 2024

Commissioned research: Relais Group Oyj – Strong start for the year supported by cold weather conditions

Marketing material commissioned by Relais Group Oyj

Relais reported Q1 adjusted EBITA of EUR 9.7m, 13% above LSEG Data & Analytics consensus. Organic sales growth was 12% y/y in Q1, clearly above our expectation of 3%. Net sales were EUR 82.8m (up 20% y/y), 8% above consensus expectations. FX did not have impact on EBITA level. Q1 benefited from cold weather conditions in the Nordics while we note all product groups beat our sales estimates. Sales increased 22% y/y in Scandinavia and 17% y/y in Finland-Baltics. Gross margin came 40bp above consensus expectations and was down 40bp y/y to 46.2%. EPS of EUR 0.21 came slightly below consensus expectation of EUR 0.22, burdened by negative exchange rate differences related to SEK denominated interest-bearing loans and internal loan receivables, and taxes. Operating cash flow declined y/y as expected and was EUR 4.6m (EUR 11m a year ago, supported by net working capital) while leverage decreased to 3.2x from 3.5x at year-end. Inventories were down 1% y/y despite acquisitions and growth related investments in Lighting inventories. Relais does not give short-term outlook for 2024. On initial take, we believe consensus to hike 2024E-26E EBITA by some mid-single digits.

RELAIS GROUP OYJ: DEVIATION TABLE

| EURm | Actual | NDA est. | Deviation | | Consensus | Deviation | | Actual | Actual | | |
|------------------------|--------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|--------------|---------------|
| | Q1 2024 | Q1 2024E | vs. actual | | Q1 2024E | vs. actual | Q4 2023 | q/q | Q1 2023 | y/y | |
| Sales | 82.8 | 76.9 | 6 | 8% | 76.5 | 6 | 8% | 80.9 | 2% | 69.0 | 20% |
| Gross profit | 38.2 | 35.0 | 3.2 | 9% | 35 | 3.2 | 9% | 35.3 | 8% | 32.1 | |
| Gross margin | 46.2% | 45.5% | 0.7pp | | 45.8% | 0.4pp | | 43.6% | 2.6pp | 46.5% | -0.4pp |
| Adj. EBITA | 9.7 | 8.6 | 1.0 | 12% | 8.6 | 1.1 | 13% | 7.8 | 24% | 7.6 | 27% |
| Adj. EBITA margin | 11.7% | 11.2% | 0.5pp | | 11.2% | 0.5pp | | 9.6% | 2.1pp | 11.0% | 0.7pp |
| EBITA | 9.7 | 8.6 | 1.0 | 12% | 8.6 | 1.1 | 12% | 7.8 | 24% | 7.5 | 29% |
| EBITA margin | 11.7% | 11.2% | 0.5pp | | 11.2% | 0.4pp | | 9.6% | 2.1pp | 10.9% | 0.8pp |
| EBIT | 9.0 | 7.8 | 1.2 | 15% | 7.5 | 1.5 | 19% | 7.0 | 29% | 6.6 | 35% |
| EBIT margin | 10.8% | 10.1% | 0.7pp | | 9.8% | 1.0pp | | 8.6% | 2.2pp | 9.6% | 1.2pp |
| PTP | 5.8 | 5.9 | 0.0 | 0% | 5.5 | 0.3 | 6% | 6.1 | -4% | 4.5 | 30% |
| EPS | 0.21 | 0.24 | -0.03 | -11% | 0.22 | -0.01 | -5% | 0.34 | | 0.16 | |
| Sales split | | | | | | | | | | | |
| Equipment | 17.2 | 16.5 | 0.8 | 5% | | | | 16.0 | 8% | 9.4 | 83% |
| Lighting | 14.8 | 13.8 | 1.0 | 7% | | | | 19.5 | -24% | 14.8 | 0% |
| Spare parts | 24.4 | 22.5 | 1.9 | 8% | | | | 22.4 | 9% | 19.3 | 27% |
| Repair and maintenance | 25.9 | 24.2 | 1.7 | 7% | | | | 23.1 | 12% | 24.7 | 5% |
| Other | 0.5 | 0.0 | 0.5 | | | | | 0.0 | 12300% | 0.8 | -38% |

Source: Company data, LSEG Data & Analytics and Nordea estimates

Q1 headlines above expectations – FX and taxes visible in EPS

- Q1 net sales were EUR 82.8m, 8% above LSEG Data & Analytics consensus. Organic growth was strong at 12% y/y in Q1, clearly above our expectation of 3%. All product groups beat our sales estimates.

- Adjusted EBITA of EUR 9.7m came 13% above consensus at EUR 8.6m. Q1 EBITA margin of 11.7% was 50bp above consensus, supported by 46.2% gross margin (40bp above consensus).
- EPS of EUR 0.21 came slightly below consensus of EUR 0.22. Net financial expenses were above our estimate due to negative exchange rate differences related to SEK denominated interest-bearing loans and internal loan receivables, and taxes.
- Operating cash flow of EUR 4.6m was down from EUR 11m a year ago. Inventories were down 1% y/y despite acquisitions and growth investments in Lighting products. Leverage was 3.2x, down from 3.5x at year-end.

We expect consensus to raise its estimates – healthy M&A pipeline

Relais does not provide short-term numeric guidance (intact). Prior to the Q1 report, LSEG Data & Analytics consensus pencil in 8% sales growth and 18% adjusted EBITA growth in 2024E. Following Q1 beat and stable market comments from the management, we expect consensus to raise its EBITA estimates by some mid-single digits.

We note company's comments of healthy M&A pipeline for coming months and years which likely translates into more acquisitions during 2024, we believe.

Relais will arrange a webcast at 10:00 EET, accessible through following link:

<https://relais.videosync.fi/q1-2024>

SUMMARY TABLE - KEY FIGURES

| EURm | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E |
|------------------------------|--------|--------|------|-------|-------|-------|
| Total revenue | 238 | 261 | 284 | 310 | 321 | 332 |
| EBITDA (adj) | 39 | 39 | 44 | 50 | 54 | 58 |
| EBIT (adj) | 26 | 22 | 25 | 30 | 34 | 38 |
| EBIT (adj) margin | 10.8% | 8.6% | 9.0% | 9.7% | 10.6% | 11.3% |
| EPS (adj, EUR) | 0.91 | 0.69 | 0.75 | 0.92 | 1.12 | 1.31 |
| EPS (adj) growth | 133.9% | -24.2% | 8.8% | 23.2% | 21.9% | 16.4% |
| DPS (ord, EUR) | 0.36 | 0.40 | 0.44 | 0.48 | 0.52 | 0.60 |
| EV/Sales | 2.7 | 1.3 | 1.4 | 1.2 | 1.1 | 1.0 |
| EV/EBIT (adj) | 24.6 | 14.9 | 15.8 | 12.3 | 10.5 | 9.1 |
| P/E (adj) | 29.0 | 14.8 | 18.1 | 13.0 | 10.6 | 9.1 |
| P/BV | 4.8 | 1.8 | 2.3 | 1.9 | 1.7 | 1.5 |
| Dividend yield (ord) | 1.4% | 3.9% | 3.3% | 4.0% | 4.4% | 5.0% |
| FCF Yield bef A&D, lease adj | 0.5% | 9.4% | 5.4% | 6.2% | 9.4% | 10.9% |
| Net debt | 140 | 143 | 149 | 146 | 133 | 118 |
| Net debt/EBITDA | 3.9 | 3.9 | 3.4 | 2.9 | 2.5 | 2.0 |
| ROIC after tax | 11.5% | 7.0% | 7.7% | 9.0% | 10.4% | 11.5% |

Source: Company data and Nordea estimates

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